

NUTRYFARM INTERNATIONAL LIMITED

(Company Registration Number: 32308)

(Incorporated in Bermuda)

PROPOSED ACQUISITION OF 45% OF THE INTEREST IN FIRST LINKAGE INC.

1. INTRODUCTION

- 1.1 The board of directors (the “**Directors**”) (the “**Board**”) of NutryFarm International Limited (the “**Company**” or “**NutryFarm**”), together with its subsidiaries (collectively, the “**Group**”), wishes to announce that pursuant to discussions and negotiations with Mr. Xiaoxin Wang (the “**Vendor**”) and taking into account the current market conditions, an indirectly wholly-owned subsidiary of the Company, LottVision Internet Management Limited (“**LottVision Internet Management**” or the “**Purchaser**”), has entered into a deed of sale and purchase (the “**Deed of S&P**”) and a shareholders’ agreement (the “**SHA**”) with the Vendor on 15 March 2018 in connection with the acquisition (the “**Proposed Acquisition**”) of an aggregate of 4,500 fully issued and paid-up ordinary shares of First Linkage Inc. (“**First Linkage**”) of US\$1 each (the “**Sale Shares**”), representing 45% of the issued and paid-up shares of First Linkage.
- 1.2 The investment opportunity presented by, *inter alia*, the Deed of S&P and the Proposed Acquisition was sourced by the Directors, as part of the continual efforts of the Board to seek potential business opportunities in or related to the Group’s existing areas of business. This is in line with the Group’s mission to develop a sound business model and to continually seek and develop opportunities in and gain access to high-growth and license-restricted markets with high barriers to entry for competitors, which would maximise the benefits to shareholders as much as possible. While the Group has in recent years focused its core efforts on developing and expanding its core business in nutrition and health food products, the Group has also maintained an existing internet management business. The Proposed Acquisition is a proposed investment into the related industry of internet services, telecommunications network and information technology services, as elaborated on further in, *inter alia*, section 2.2 below, and will not replace the nutrition and health food products business as the Group’s core business but will instead help to diversify the Group’s income streams. Through the Proposed Acquisition, the Group intends to build up its capabilities, know-how and customer base in internet services, telecommunications network and information technology services so as to assist in the future development and expansion of the related existing internet management business.
- 1.3 Upon completion of the Proposed Acquisition, the Company will, through LottVision Internet Management, acquire a 45% interest in First Linkage. Accordingly, First Linkage will become an associated company of the Company.
- 1.4 The terms of the Proposed Acquisition do not contravene any laws and regulations governing the Company and the bye-laws of the Company, or any laws and regulations governing LottVision Internet Management and the bye-laws of LottVision Internet Management.
- 1.5 The Proposed Acquisition will be conditional upon approval by Shareholders in a general meeting to be convened by the Company.

2. BACKGROUND TO THE PROPOSED ACQUISITION

2.1 First Linkage Inc. and its subsidiaries

- 2.1.1 First Linkage was incorporated on 17 February 2017 under the laws of the British Virgin Islands. As at the date hereof, First Linkage has 10,000 issued shares of a par value of US\$1 each. First Linkage is an investment holding company.
- 2.1.2 First Linkage is the legal and beneficial owner of 100% of the fully issued and paid up share capital (amounting to HK\$10,000 divided into 10,000 ordinary shares of HK\$1.00 each) of First Linkage Hong

Kong Limited (“**First Linkage HK**”), a company incorporated on 30 June 2017 under the laws of the Hong Kong Special Administrative Region (“**Hong Kong**”) of the People’s Republic of China (the “**PRC**”). First Linkage HK is an investment holding company.

- 2.1.3 First Linkage HK is the legal and beneficial owner of 100% of the registered share capital of Beijing Zhonglian Shengtong Internet Technology Co., Ltd. (“**Zhonglian Shengtong**”, and collectively with First Linkage and First Linkage HK, the “**First Linkage Group**”, and each a “**First Linkage Group Company**”), a company incorporated on 26 October 2017 under the laws of the PRC. The principal business of Zhonglian Shengtong is to provide exclusive technical and other services to the Shengyuantong Group (defined below) including, *inter alia*, full-scope education management consulting services, intellectual property licenses, technical support and consulting services pursuant to, *inter alia*, the terms of the VIE Agreements (as defined below).
- 2.1.4 The book value, net tangible asset value and the latest available open market value of the Sale Shares as at 31 December 2017 is RMB 1.00, RMB 1.00 and RMB 90.4 million respectively. The Group has entered into the Proposed Acquisition as the Proposed Acquisition is to occur in connection with the entry by Zhonglian Shengtong into the VIE Agreements (defined below) as set out in section 2.3.1. In this regard, as set out in section 3.1, the Purchase Consideration (defined below) was derived based on, *inter alia*:
- (a) the book value, net tangible asset value and the latest available open market value of the equity of Shengyuantong as at 31 October 2017 of RMB 8.1 million, RMB 8.1 million and RMB 200.8 million respectively; and
 - (b) a valuation as at 31 December 2017 commissioned by the Company and conducted by an independent valuer, RSM Corporate Advisory Pte. Ltd. (the “**Independent Valuer**”), where the Independent Valuer has estimated the indicative fair market value range of the Sale Shares to be from RMB 83.4 million to RMB 97.3 million using a discounted cash flow method as the primary basis of valuation, with the market approach utilised as a cross check. A copy of the valuation report dated 15 March 2018 (the “**Valuation Report**”) is available for inspection, as set out in section 11.

2.2 The business of the Shengyuantong Group

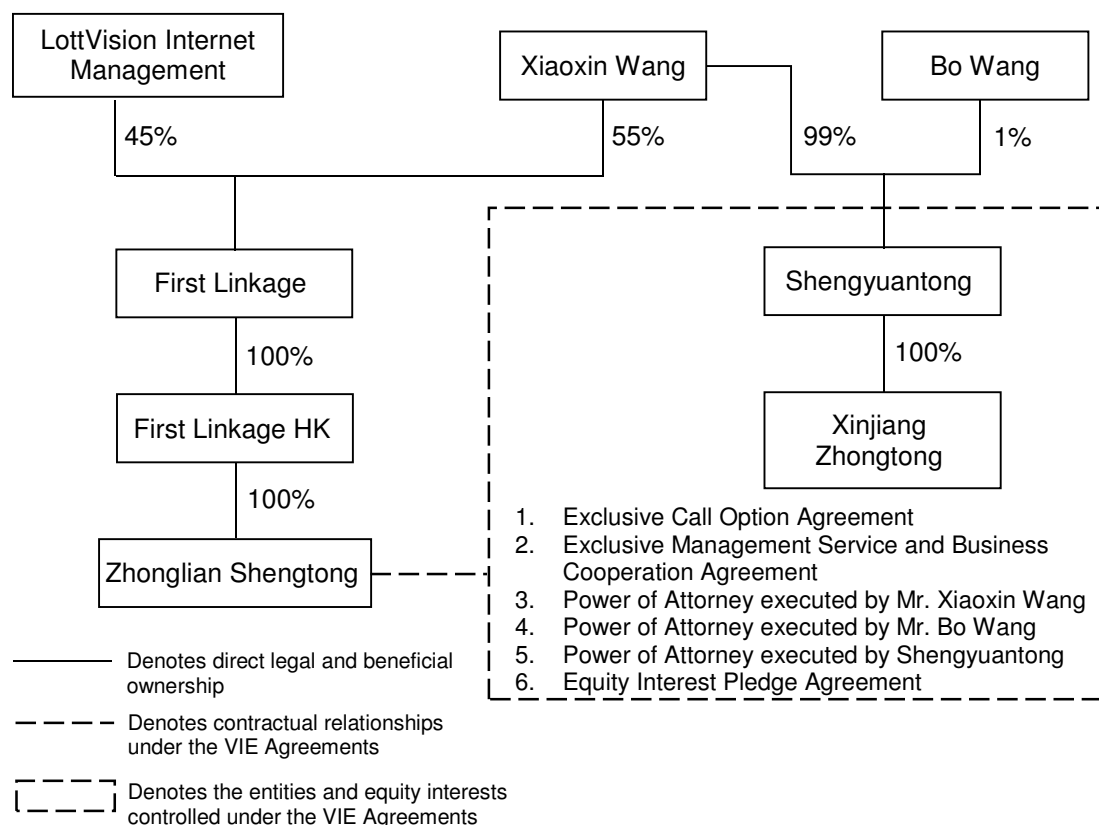
- 2.2.1 Zhonglian Shengtong intends to undertake the business of Beijing Shengyuantong Science and Technology Development Co., Ltd. (“**Shengyuantong**”), a company incorporated on 26 December 2013 under the laws of the PRC. Shengyuantong is the sole legal and beneficial owner of Xinjiang Zhongtong Internet Science and Technology Development Co., Ltd. (“**Xinjiang Zhongtong**”, and collectively with Shengyuantong and any other subsidiaries of Shengyuantong from time to time, the “**Shengyuantong Group**”, and each a “**Shengyuantong Group Member**”), a company incorporated on 27 June 2017 under the laws of the PRC. Shengyuantong is a Chinese Tier 3 internet service provider (“**ISP**”) headquartered in Beijing. Shengyuantong is principally engaged in the provision of internet services including internet access and internet transit. Xinjiang Zhongtong provides technical support to Shengyuantong.
- 2.2.2 Shengyuantong aims at offering the web content providers a faster track to send web content by ensuring that data follows the most efficient route, and upstream connections work reliably by employing a range of technologies including the use of network hardware, software and specifications, as well as the expertise of network management personnel. Shengyuantong provides internet transit service to its customers that allows the network traffic to cross or “transit” a computer network. Its customers include Tier 2 ISPs and other Tier 3 ISPs in the PRC.
- 2.2.3 Under PRC laws, there are restrictions applicable to the business of the Shengyuantong Group, including but not limited to:
- (a) Under the Catalogue of Industries for Guiding Foreign Investment (外商投资产业指导目录) which was promulgated by the National Development and Reform Commission and the Ministry of Commerce on 28 June 2017 and came into effect on 28 July 2017, the proportion of foreign investment in a company engaging in value-added telecommunications services shall not exceed 50%.

- (b) Under the Provisions on the Administration of Foreign-Invested Telecom Enterprises (外商投资电信企业管理规定) which were promulgated by the State Council on 11 December 2011, came into effect on 1 January 2002, and were subsequently amended on 10 September 2008 and 6 February 2016, in a foreign-invested telecom enterprise operating value-added telecom services (including the wireless paging service of basic telecom services):
 - (i) foreign investors shall among other things have a good track record of, and operational experience in, operating value-added telecom services (the “**Eligibility Requirement**”); and
 - (ii) foreign investors’ capital contribution shall not exceed 50% eventually.
- (c) Under the Interim Provisions on Investment Made by Foreign-Invested Enterprises in China (关于外商投资企业境内投资的暂行规定) which were promulgated by the Ministry of Foreign Trade and Economic Cooperation and the State Administration of Industry and Commerce on 25 July 2000, came into effect on 1 September 2000, and were subsequently amended on 26 May 2006 and 28 October 2015, the provisions (including but not limited to restrictions and prohibitions) of the Catalogue of Industries for Guiding Foreign Investment that apply to investments by foreign entities in China shall apply to investments by foreign-invested enterprises in China.

2.3 The Variable Interest Entity Agreements

- 2.3.1 In connection with the business of Shengyuantong and the applicable restrictions on its industry as set out in section 2.2, Zhonglian Shengtong has, on 15 March 2018, entered into an exclusive call option agreement (“**Exclusive Call Option Agreement**”), an exclusive management service and business cooperation agreement (“**Exclusive Management Service and Business Cooperation Agreement**”), powers of attorney (“**Powers of Attorney**”, and each a “**Power of Attorney**”) and an equity interest pledge agreement (“**Equity Interest Pledge Agreement**”) (collectively, the “**VIE Agreements**”) with, *inter alia*, Shengyuantong, and the Vendor and Mr. Bo Wang, being the owners of 99% and 1% of the equity interests of Shengyuantong respectively.

Structure of the Proposed Acquisition and VIE Agreements



2.3.2 The book value, net tangible asset value and the latest available open market value of the equity of Shengyuantong as at 31 October 2017 is RMB 8.1 million, RMB 8.1 million and RMB200.8 million respectively.

2.4 Reasons for use of the VIE Agreements

2.4.1 As set out in section 2.2.3 above, the VIE Agreements are narrowly tailored because they are only used to address the restrictions under PRC laws applicable to the business of the Shengyuantong Group, including but not limited to:

- (a) Under the Catalogue of Industries for Guiding Foreign Investment, the proportion of foreign investment in a company engaging in value-added telecommunications services shall not exceed 50%.
- (b) Under the Provisions on the Administration of Foreign-Invested Telecom Enterprises, in a foreign-invested telecom enterprise operating value-added telecom services (including the wireless paging service of basic telecom services):
 - (i) foreign investors shall among other things have a good track record of, and operational experience in, operating value-added telecom services; and
 - (ii) foreign investors' capital contribution shall not exceed 50% eventually.
- (c) Under the Interim Provisions on Investment Made by Foreign-Invested Enterprises in China, the provisions (including but not limited to restrictions and prohibitions) of the Catalogue of Industries for Guiding Foreign Investment shall apply to investments by foreign-invested enterprises in China.

The VIE Agreements are also narrowly tailored to achieve the business purposes of the Group and to minimize the potential for conflict with relevant PRC laws and regulations.

2.5 Details of the VIE Agreements

2.5.1 Exclusive Call Option Agreement

Parties

- (1) Zhonglian Shengtong;
- (2) Mr. Xiaoxin Wang and Mr. Bo Wang; and
- (3) Shengyuantong

Subject Matter

The shareholders of Shengyuantong have irrevocably and unconditionally granted an exclusive option to Zhonglian Shengtong which entitles Zhonglian Shengtong to elect to purchase, at any time, any or all of the 100% equity interests in Shengyuantong held by its shareholders if (i) Zhonglian Shengtong or any third party designated by it becomes permitted to hold any or all of such equity interests under PRC laws; or (ii) any other circumstances that Zhonglian Shengtong deems appropriate or necessary, subject to PRC laws. Zhonglian Shengtong may, at its sole discretion, exercise its right to purchase such equity interests at any time and in any manner permitted under PRC laws.

The equity interests of Shengyuantong shall be transferred without any consideration or at the lowest price permitted under PRC laws. If such equity interests are not transferred without consideration, the shareholders of Shengyuantong shall, after the right to purchase is exercised, return the consideration and payment received in relation to such transfer of equity of interests to Zhonglian Shengtong or any of its designated third parties.

Pursuant to the Exclusive Call Option Agreement, Shengyuantong has granted to Zhonglian Shengtong an irrevocable and exclusive call option that entitles Zhonglian Shengtong to purchase any or all of the assets and businesses of Shengyuantong at the lowest price permitted under PRC laws.

Without Zhonglian Shengtong's written consent, the shareholders of Shengyuantong shall not dispose, transfer, sell or assign their equity interests in Shengyuantong to any third party or create any security, pledge or any encumbrance, or other interests which may have an adverse effect on the rights or benefits of Zhonglian Shengtong. Furthermore, Shengyuantong shall not make any distributions to its shareholders without prior written consent by Zhonglian Shengtong.

Term

The Exclusive Call Option Agreement became effective upon signing by all parties and will be terminated when all the equity interests in Shengyuantong held by its shareholders have been transferred to Zhonglian Shengtong or any of its designated third parties. Zhonglian Shengtong's written consent is necessary for the other parties to terminate or rescind the Exclusive Call Option Agreement.

2.5.2 Exclusive Management Service and Business Cooperation Agreement

Parties

- (1) Zhonglian Shengtong;
- (2) Shengyuantong and subsidiary(ies) of Shengyuantong; and
- (3) Mr. Xiaoxin Wang and Mr. Bo Wang

Subject Matter

Shengyuantong, its subsidiaries, and Mr. Xiaoxin Wang and Mr. Bo Wang (being the shareholders of Shengyuantong) have agreed to appoint Zhonglian Shengtong as the sole and exclusive technical and service provider of, *inter alia*, education management consulting services, intellectual property licenses, technical support and consulting services to Shengyuantong and its subsidiaries.

Zhonglian Shengtong may determine the annual service fees and appropriate payment arrangement according to the aggregate of the revenue and other income of Shengyuantong and its subsidiaries.

Zhonglian Shengtong shall have the sole and exclusive ownership, interest and intellectual property rights arising out of or in connection with the Exclusive Management Service and Business Cooperation Agreement. Shengyuantong and its subsidiaries shall take necessary measures to assist in the transfer of all relevant intellectual property rights to Zhonglian Shengtong.

Pursuant to the Exclusive Management Service and Business Cooperation Agreement, without the prior written approval from Zhonglian Shengtong, Shengyuantong and Shengyuantong's subsidiaries and shareholders shall not conduct any transaction that may have substantial effect on the assets, obligations, equity interest, rights or operation of Shengyuantong and its subsidiaries.

Term of the Contract

The Exclusive Management Service and Business Cooperation Agreement became effective upon signing by all parties. The Exclusive Management Service and Business Cooperation Agreement continues to be valid during the business operation period of Zhonglian Shengtong, Shengyuantong and Shengyuantong's subsidiaries unless terminated in writing by all parties.

Pursuant to the Exclusive Management Service and Business Cooperation Agreement, Zhonglian Shengtong is entitled to unilaterally terminate the agreement at any time by written notice. Zhonglian Shengtong's written consent is necessary for the other parties to terminate or rescind the Exclusive Management Service and Business Cooperation Agreement.

2.5.3 Powers of Attorney executed by Mr. Xiaoxin Wang and Mr. Bo Wang

Parties

- (1) Mr. Xiaoxin Wang / Mr. Bo Wang; and
- (2) Zhonglian Shengtong

Subject Matter

Mr. Xiaoxin Wang and Mr. Bo Wang, in separate powers of attorney, have exclusively and irrevocably authorised Zhonglian Shengtong or its designated representatives(s) to exercise each of their rights on behalf of each of them on all matters relating to Shengyuantong and its affairs according to the absolute discretion of Zhonglian Shengtong or its designated representatives(s).

Zhonglian Shengtong or its designated representatives(s) shall have the authority to execute and perform the Equity Transfer Agreement provided in the Exclusive Call Option Agreement on behalf of each of Mr. Xiaoxin Wang and Mr. Bo Wang within the scope of authorisation and to execute, perform and carry out all of his obligations under the Equity Interest Pledge Agreement and the Exclusive Call Option Agreement and any supplemental agreement(s) thereof.

Term

The Power of Attorney became effective from the date of execution of the Power of Attorney and shall continue to be effective during the effective term of the Exclusive Management Service and Business Cooperation Agreement, regardless of the change of proportions of equity interests owned by Mr. Xiaoxin Wang and Mr. Bo Wang respectively.

2.5.4 Power of Attorney executed by Shengyuantong

Parties

- (1) Shengyuantong; and
- (2) Zhonglian Shengtong

Subject Matter

Shengyuantong has irrevocably authorised Zhonglian Shengtong to exercise Shengyuantong's rights concerning the equity interests and interests in Xinjiang Zhongtong.

Furthermore, Shengyuantong has exclusively and irrevocably authorised Zhonglian Shengtong or its designated representatives(s) to exercise Shengyuantong's rights on its behalf on all matters relating to Shengyuantong and its affairs according to the absolute discretion of Zhonglian Shengtong or its designated representatives(s).

Term

The Power of Attorney shall be effective from the date of execution of the Power of Attorney and during the effective term of the Exclusive Management Service and Business Cooperation Agreement, regardless of the change of proportions of equity interests owned by Shengyuantong.

2.5.5 Equity Interest Pledge Agreement

Parties

- (1) Zhonglian Shengtong;
- (2) Mr. Xiaoxin Wang and Mr. Bo Wang; and
- (3) Shengyuantong

Subject Matter

The shareholders of Shengyuantong shall unconditionally and irrevocably pledge their equity interests in Shengyuantong to Zhonglian Shengtong as security for the performance of the obligations by Shengyuantong and its subsidiaries and shareholders under the other VIE Agreements.

Shengyuantong and its shareholders shall not transfer or assign the rights or obligations under the Equity Interest Pledge Agreement without prior written consent by Zhonglian Shengtong. Zhonglian Shengtong has the right to transfer or assign all or any of its rights and obligations under the other VIE Agreements to any person by written notice to Shengyuantong without Shengyuantong's prior consent.

If Shengyuantong and its shareholders and subsidiaries fail to perform any of the obligations under the VIE Agreements or the Equity Interest Pledge Agreement, Zhonglian Shengtong or any of its designated third parties may exercise its pledge rights and dispose, transfer, sell or assign the pledged equity interests.

Term of Pledge

The pledge under the Equity Interest Pledge Agreement shall be effective from the date of registration of the pledge with the Administration of Industry and Commerce of Beijing, Dongcheng Branch to the date on which all of the VIE Agreements are completely performed, invalidated or terminated (whichever is latest).

Term of Agreement

The Equity Interest Pledge Agreement became effective upon signing by all parties.

Unless Zhonglian Shengtong exercises the pledge right under the Equity Interest Pledge Agreement, the Equity Interest Pledge Agreement shall remain in effect until the last of the following: (i) when all obligations under the VIE Agreements are completely fulfilled; (ii) when the Equity Interest Pledge Agreement becomes invalid; (iii) when the Equity Interest Pledge Agreement is terminated; or (iv) when any written agreement concerning the termination of the Equity Interest Pledge Agreement is reached by the parties.

Shengyuantong and its shareholders have no right to terminate the agreement without Zhonglian Shengtong's prior written consent.

2.6 Protection of the interests and assets of the First Linkage Group

2.6.1 Dispute resolution clauses in the VIE Agreements

Each of the VIE Agreements contains a dispute resolution provision, which stipulates that in the event of any dispute relating to the interpretation and performance of the VIE Agreements, the parties shall first resolve the dispute through friendly negotiations. If the parties fail to reach an agreement on the resolution of such a dispute within thirty (30) days, the relevant dispute may be submitted to the China International Economic and Trade Arbitration Commission (the “CIETAC”) for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing, and the language used in the arbitration shall be Chinese. The arbitration ruling shall be final and binding on all parties.

2.6.2 Succession

Each of the VIE Agreements includes a provision that the rights and obligations under each agreement are legally binding on the successors and permitted assignees of the respective parties. In the event that a third party is to become a shareholder of Shengyuantong, this third party must first execute the relevant legal documents such that the VIE Agreements and all rights and obligations under the VIE Agreements become binding on such third party before any transfer of shares to such third party can be allowed.

2.6.3 Liquidation

Each of the Exclusive Call Option Agreement and Exclusive Management Service and Business Cooperation Agreement include a provision in respect of the liquidation or dissolution of Shengyuantong or any of its subsidiaries, providing that in such an event, Shengyuantong and its shareholders will establish a liquidation committee and assign personnel recommended by Zhonglian Shengtong as liquidators to manage the property of Shengyuantong or any of its subsidiaries. Shengyuantong and its shareholders shall deliver all residual property obtained from the liquidation and dissolution to Zhonglian Shengtong in accordance with PRC laws.

2.6.4 VIE Agreements confer control over Shengyuantong upon Zhonglian Shengtong

The VIE Agreements confer upon Zhonglian Shengtong sufficient control over the board and daily operations of Shengyuantong and its subsidiaries. Pursuant to the Exclusive Management Service and Business Cooperation Agreement, Zhonglian Shengtong has the right to nominate directors of Shengyuantong and its subsidiaries who will then be appointed. The nominee director nominated by Zhonglian Shengtong has the right to appoint the chairman of the board of directors and executive directors of Shengyuantong and its subsidiaries. Zhonglian Shengtong also has the right to instruct Shengyuantong and its subsidiaries to dismiss any director or senior manager.

Furthermore, Zhonglian Shengtong is entitled to inspect the accounts of Shengyuantong and its subsidiaries periodically and at any time. Zhonglian Shengtong can also request Shengyuantong and its subsidiaries to transfer their businesses with permissions, licenses, authorities and approvals required to conduct such businesses to any party designated by Zhonglian Shengtong.

2.6.5 VIE Agreements confer economic benefits upon Zhonglian Shengtong

The Exclusive Management Service and Business Cooperation Agreement confer upon Zhonglian Shengtong annual service fees to be paid by Shengyuantong. The annual service fees will be determined by Zhonglian Shengtong.

The VIE Agreements also confer upon Zhonglian Shengtong the right to all intellectual properties through assignments from Shengyuantong and its subsidiaries. Under the Exclusive Management Service and Business Cooperation Agreement, any intellectual property that is in the process of filing with governmental authorities or owned by any of the Shengyuantong and its subsidiaries prior to the date of the Agreement and any intellectual property rights arising under, arising out of, or otherwise in connection with such agreement shall be transferred by the beneficial owner to Zhonglian Shengtong. Shengyuantong and its subsidiaries shall promise and guarantee that such beneficial owner execute

the intellectual property right transfer agreements and apply for intellectual property right transfer registration.

2.6.6 Arrangements when potential conflicts of interest arise

Shengyuantong and its subsidiaries and shareholders undertake under the Exclusive Management Service and Business Cooperation Agreement and Equity Interest Pledge Agreement that, during the period that such agreement remains effective, unless otherwise agreed by Zhonglian Shengtong in writing, they shall not (i) take or omit to take any action which may lead to a conflict of interest with Zhonglian Shengtong's direct or indirect shareholders; or (ii) enter into any agreement or arrangement that conflicts with such agreement or may adversely affect Zhonglian Shengtong's rights and interests under such agreement.

If a conflict of interest does arise, Zhonglian Shengtong has the right to decide on how to deal with such conflict of interest in accordance with the applicable PRC laws. Shengyuantong and its shareholders shall unconditionally follow the instructions of Zhonglian Shengtong to take any action to eliminate such conflict of interest.

2.6.7 Zhonglian Shengtong is not required to share in the losses of Shengyuantong

The Equity Interest Pledge Agreement provides that Zhonglian Shengtong is not obliged to share the losses of Shengyuantong or to provide financial support to Shengyuantong.

2.7 Operations in compliance with the VIE Agreements

2.7.1 The Group has obtained undertakings from Mr. Xiaoxin Wang that he shall ensure that the following measures to ensure legal and regulatory compliance of the VIE Agreements are complied with:

- (a) as part of the internal control measures, major issues arising from the implementation of the VIE Agreements with the Shengyuantong Group, Mr. Xiaoxin Wang and Mr. Bo Wang will be regularly reviewed, at least on an annual basis, by the board of each relevant company. The board of each relevant company will determine, as part of its periodic review process, whether legal advisers and/or other professionals will be retained to assist the First Linkage Group or the Shengyuantong Group (as the case may be) to deal with specific issues arising from the VIE Agreements;
- (b) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at regular meetings by the board of each relevant company no less frequently than on a quarterly basis;
- (c) the relevant business units and operation divisions of the First Linkage Group and the Shengyuantong Group (as applicable) will report regularly, which will be no less frequently than on a monthly basis, to the senior management of First Linkage in relation to compliance and performance conditions under the VIE Agreements and other related matters;
- (d) Mr. Xiaoxin Wang, Mr. Bo Wang, Shengyuantong and each member of the Shengyuantong Group will undertake they will not carry on, own or acquire any business which is in competition with or is likely to be in competition with the business carried on by the First Linkage Group without the prior written consent of LottVision Internet Management; and
- (e) the First Linkage Group and Shengyuantong Group will unwind the VIE Agreements as soon as the law allows the business to be operated without them.

In the exercise of the Group's rights under the VIE Agreements and the SHA, the Group will ensure that the above measures are implemented and that the independent non-executive Directors will periodically review the implementation and compliance of the VIE Agreements.

2.8 Effect and legality of the VIE Agreements

2.8.1 The PRC legal adviser to the Company for the Proposed Acquisition, Tian Yuan Law Firm, after taking reasonable actions and steps to reach its legal conclusions, is of the following legal opinion that:

- (a) Each of Zhonglian Shengtong, Shengyuantong and Xinjiang Zhongtong (collectively, the “**PRC Entities**”) has been duly organized and is validly existing as a limited liability company, in good standing under PRC laws, with legal person status and corporate power and authority to own or lease its properties and conduct its business as described in this announcement; each of the PRC Entities is duly qualified to transact business as described in its business license in the PRC; the articles of association, the business license and other organizational documents of each of the PRC Entities comply with the requirements of applicable PRC laws and are in full force and effect; each of the PRC Entities has done and/or obtained all approvals, consents, waivers, sanctions, certificates, authorizations, filings, registrations, exemptions, permissions, annual inspections, qualifications, permits and licenses required by any PRC Authorities pursuant to any PRC laws (“**Government Authorizations**”) that are required for carrying out its business operations as required by the applicable PRC laws, except that Xinjiang Zhongtong may need to obtain the permit in the event that it carries out operations of telecom services.
- (b) The description of the corporate structure of First Linkage and the VIE Agreements among First Linkage, First Linkage HK, the PRC Entities, Mr. Xiaoxin Wang and Mr. Bo Wang, as the case may be, as set forth in this announcement under the section "Background to the Proposed Acquisition", is true and accurate in all material aspects and insofar as related to PRC laws nothing has been omitted from such description in all material aspects which would make the same misleading. The corporate structure of First Linkage, First Linkage HK and the PRC Entities is in compliance with the PRC laws.
- (c) The transactions contemplated under the VIE Agreements are in compliance with PRC laws. The VIE Agreements, as individual contracts and as a whole, are valid, binding and enforceable under PRC laws. Each of the relevant PRC Entities, Mr. Xiaoxin Wang and Mr. Bo Wang has full power, authority and legal right to enter into, execute, adopt, assume, issue, deliver and perform their respective obligations under each of the VIE Agreements to which it is expressed to be a party and such obligations constitute valid, legal and binding obligations enforceable in accordance with the terms of each of the VIE Agreements against each of them in accordance with terms of each of the VIE Agreements. No Governmental Authorizations are required to be done or obtained for the performance of the respective relevant PRC Entities of their obligations and the transactions contemplated under the VIE Agreements other than those already obtained or explicitly set forth in the VIE Agreements, except for (i) filing at the competent administration for industry and commerce, and/or (ii) filing at the competent commerce authority required for the WFOE to exercise the option granted under the Exclusive Call Option Agreement to purchase the equity interests in the Variable Interest Entity.
- (d) The VIE Agreements are narrowly tailored to achieve the Company's and LottVision Internet Management's business purposes and minimize the potential for conflict with the relevant PRC laws.
- (e) Each of the relevant PRC Entities has, to the extent applicable and apart from the Governmental Authorizations, taken all necessary corporate and other actions and fulfilled and done all conditions and things required by the PRC laws for the entering into, execution, adoption, assumption, issue, delivery and the performance of their respective obligations under each of the VIE Agreements, other than those explicitly set forth in the VIE Agreements, to which it is expressed to be a party and the representatives of the relevant PRC Entities (as the case may be) have been duly authorized to do so.
- (f) The execution, delivery and performance by each of the relevant PRC Entities of their respective obligations under each of the VIE Agreements to which any of them is a party does not and will not contravene, result in a breach or violation of or constitute a default under (i) any of the terms and provisions of their respective articles of association or any of their respective business licenses and constitutive documents, (ii) any applicable PRC laws, or (iii)

any material agreement or instrument to which any of them is expressed to be a party or which is binding on any of them or any of their assets.

2.9 Key risks and limitations relating to the VIE structure

2.9.1 Economic risks borne by the First Linkage Group

Zhonglian Shengtong is not obligated under any of the VIE Agreements to share the losses of the Shengyuantong Group or provide financial support to the Shengyuantong Group. Moreover, as limited liability companies, Shengyuantong and Xinjiang Zhongtong are each solely liable for their own debts and losses. However, since the Zhonglian Shengtong draws profits from the aggregate of the revenue and other income of Shengyuantong and its subsidiaries through fees and payments under the Exclusive Management Service and Business Cooperation Agreement, it is likely that the First Linkage Group's business and financial position will be affected if the Shengyuantong group suffers losses or fails to renew or obtain the requisite licenses and approvals to continually operate its business in the PRC.

2.9.2 Limitations in exercising the option to acquire ownership in Shengyuantong

As noted above:

- (a) Under the Catalogue of Industries for Guiding Foreign Investment, the proportion of foreign investment in a company engaging in value-added telecommunications services shall not exceed 50%;
- (b) Under the Provisions on the Administration of Foreign-Invested Telecom Enterprises, in a foreign-invested telecom enterprise operating value-added telecom services (including the wireless paging service of basic telecom services):
 - (iii) foreign investors shall among other things have a good track record of, and operational experience in, operating value-added telecom services; and
 - (i) foreign investors' capital contribution shall not exceed 50% eventually; and
- (c) Under the Interim Provisions on Investment Made by Foreign-Invested Enterprises in China, the provisions (including but not limited to restrictions and prohibitions) of the Catalogue of Industries for Guiding Foreign Investment shall apply to investments by foreign-invested enterprises in China.

Under the Exclusive Call Option Agreement, Zhonglian Shengtong, subject to certain conditions, has the sole discretion to require the shareholders of Shengyuantong to transfer their equity interest in Shengyuantong to Zhonglian Shengtong (or a third party designated by Zhonglian Shengtong) without any consideration or at the lowest price as permitted under PRC laws. The equity transfer may be subject to, *inter alia*, the Eligibility Requirement and the approvals from and filings with, *inter alia*, the commerce authority and the administration authority for industry and commerce. Furthermore, the exercise of the option to acquire the ownership of Shengyuantong may be subject to substantial costs. The relevant PRC authorities may require Zhonglian Shengtong to pay a substantial amount of enterprise income tax for the income from the ownership transfer if the purchase price is set below the market value.

2.9.3 The PRC government may determine that VIE Agreements are not in compliance with any existing or future applicable PRC laws or regulations

The PRC government may determine that the VIE Agreements do not comply with the applicable laws and regulations of the PRC. Although the PRC legal adviser to the Company for the Proposed Acquisition is of the view that the VIE structure is in compliance with the relevant PRC laws and regulations, uncertainties still exist regarding the interpretation and application of the PRC laws and regulations especially in the area of value-added telecommunications business. For instance, the PRC regulatory authorities may issue further guidelines that impose stricter foreign ownership requirements in that area of business. Given the uncertain legal and business environment in the PRC, it is difficult

to foresee whether the PRC regulatory authorities will take the same view regarding the VIE structure as the PRC legal adviser in the future.

2.9.4 Zhonglian Shengtong and the First Linkage Group rely on the VIE Agreements to control and obtain the economic benefits from Shengyuantong, which may not be as effective in providing operational control as direct ownership

The VIE Agreements may not provide control as effective as direct ownership. Zhonglian Shengtong has to rely on its rights under the VIE Agreements to effect changes in the management of Shengyuantong and make an impact on its business decision making, as opposed to exercising its rights directly as a shareholder. If Shengyuantong or its shareholders refuse to cooperate, Zhonglian Shengtong will face difficulties in effecting control over Shengyuantong's operation of business through the VIE structure, which may adversely affect the Zhonglian Shengtong's business efficiency.

2.9.5 The First Linkage Group may lose control over Shengyuantong and may not enjoy the full economic benefits of the VIE Agreements if Shengyuantong declares bankruptcy or becomes subject to a dissolution or liquidation proceeding

The VIE Agreements contain terms that specifically provide that Shengyuantong and its subsidiaries may not be voluntarily liquidated without the written consent of Zhonglian Shengtong. However, if the shareholders of Shengyuantong breach this obligation and voluntarily liquidate Shengyuantong or if Shengyuantong declares bankruptcy, all or part of its assets may become subject to liens or rights of third-party creditors and the First Linkage Group may be unable to continue control Shengyuantong and may not enjoy the economic benefits of Shengyuantong, which could adversely affect the First Linkage Group's business, financial condition and results of operations.

2.9.6 The Group has limited control over the First Linkage Group and may be unable to ensure that First Linkage Group always acts in its own best interests

Mr. Xiaoxin Wang may have a potential conflict of interest in his position as the majority shareholder of both the First Linkage Group and Shengyuantong. Although there are provisions in the Equity Interest Pledge Agreement and the Exclusive Management Service and Business Cooperation Agreement to prevent such situations, as the Group only holds a 45% interest in the First Linkage Group, the Group will not have full control over the actions of Zhonglian Shengtong or Shengyuantong (through Zhonglian Shengtong's rights under the VIE Agreements). There is no assurance that when conflicts of interest arise between the First Linkage Group and Mr. Xiaoxin Wang (as shareholder of Shengyuantong), Mr. Xiaoxin Wang will act in the First Linkage Group's interests or that the First Linkage Group's rights under the VIE Agreements will be exercised to resolve the conflicts of interest in the First Linkage Group's favour. If Mr. Xiaoxin Wang does not act completely in the First Linkage Group's interests or the conflicts of interest between the First Linkage Group and him are not resolved in the First Linkage Group's favour, the First Linkage Group's business and financial condition may be impacted.

2.9.7 The VIE arrangements may be subject to scrutiny of the PRC tax authorities and additional tax may be imposed

The VIE Agreements may be subject to scrutiny by the tax authorities and additional tax may be imposed. Under the Exclusive Management Service and Business Cooperation Agreement, the Shengyuantong Group is required to pay Zhonglian Shengtong, *inter alia*, a service fee for the services rendered by Zhonglian Shengtong. Such service fee payments between related parties may be subject to scrutiny or challenge by the PRC tax authorities within ten years after the taxable year when such transactions are conducted.

2.9.8 The Group does not have any insurance which covers the risks relating to the VIE Agreements and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the VIE Agreements and the transactions contemplated thereunder and the Group has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Agreements in the future, such as those affecting the enforceability of the VIE Agreements and the relevant agreements for the transactions contemplated

thereunder and the operation of Shengyuantong, the results of the Group may be impacted. Under the VIE Agreements, the Group has obtained representations, warranties and undertakings from, *inter alia*, Mr. Xiaoxin Wang and Shengyuantong that, *inter alia*, the execution and performance of the VIE Agreements will not violate PRC laws. The Shengyuantong Group has also represented, warranted and undertaken that it shall, *inter alia*, shall operate in accordance with relevant laws and regulations.

3. PRINCIPAL TERMS OF THE DEED OF S&P

3.1 Consideration

3.1.1 The aggregate consideration for the purchase of the Sale Shares is RMB 90,000,000 (the “**Purchase Consideration**”), subject to the Profit Guarantee (defined below) and Retained Sum (defined below) set out in section 3.2 below. The Purchase Consideration shall be satisfied by payment of RMB 67,500,000 (being the Purchase Consideration less the Retained Sum) in cash by telegraphic transfer in immediately available funds free of bank charges to the bank account(s) of the Vendor.

3.1.2 The Purchase Consideration was arrived at on a willing buyer willing seller basis after arms’ length negotiations between the parties, taking into consideration, *inter alia*, the following:

- (a) the estimation by the Independent Valuer of the indicative fair market value range of the Sale Shares being from RMB 83.4 million to RMB 97.3 million, as set out in the Valuation Report;
- (b) Shengyuantong’s monthly net profit after tax (“**NPAT**”) from January 2017 to December 2017 as follows:

No.	Month	NPAT/(loss) (RMB’000)
1.	January 2017	(346)
2.	February 2017	(496)
3.	March 2017	615
4.	April 2017	263
5.	May 2017	531
6.	June 2017	513
7.	July 2017	800
8.	August 2017	444
9.	September 2017	959
10.	October 2017	1,168
11.	November 2017	2,300
12.	December 2017	1,306

- (c) the Profit Guarantee from the Vendor as set out in section 3.2; and
- (d) the book value, net tangible asset value and the latest available open market value of the equity of Shengyuantong as at 31 October 2017 of RMB 8.1 million, RMB 8.1 million and RMB 200.8 million respectively.

3.1.3 The net profits attributable to the First Linkage Group of the financial year ended 31 December 2017 is RMB 0.00, and the net profits attributable to the equity of the Shengyuantong Group of the financial year ended 31 December 2017 is RMB 8.1 million. The Purchase Consideration represents a 10.1 times premium of the net profits of the Shengyuantong Group.

3.1.4 In the view of the Board, the Purchase Consideration is reasonable based on the valuation as set out in the Valuation Report, and the Profit Guarantee. The Purchase Consideration will be fully settled in cash, which will be drawn from the Company’s capital reserves and out-source financing.

3.2 Profit Guarantee

3.2.1 Under the terms of the Deed of S&P, the Vendor has guaranteed (the “**Profit Guarantee**”) that the audited NPAT of Zhonglian Shengtong for the financial years from 1 April 2018 to 31 March 2019 (the

“**Forecast Period**”) and from 1 April 2019 to 31 March 2020 (the “**Projection Period**” and collectively with the Forecast Period, the “**Target Periods**”) will be RMB 20 million and RMB 30 million respectively (the “**Profit Targets**”). The Purchaser shall retain the sum of RMB 22,500,000 from the Purchase Consideration (the “**Retained Sum**”) as security for the achievement of the Profit Targets as set out below.

- (a) If the audited NPAT of Zhonglian Shengtong during the financial year ending 31 March 2019 meets or exceeds the Profit Target of RMB 20 million, the Purchaser shall pay the sum of RMB 9,000,000 to the Vendor within ten (10) business days after the issue of the audit report for First Linkage for the financial year ending 31 March 2019; and
- (b) If the audited NPAT of Zhonglian Shengtong during the financial year ending 31 March 2020 meets or exceeds the Profit Target of RMB 30 million, the Purchaser shall pay the sum of RMB 13,500,000 to the Vendor within ten (10) business days after the issue of the audit report for First Linkage for the financial year ending 31 March 2020,

Provided always that:

- (ii) the references to the audited NPAT of Zhonglian Shengtong in the Deed of S&P shall refer to the audited NPAT of Zhonglian Shengtong during the Target Periods as determined in accordance with the International Financial Reporting Standards by an auditor appointed in the sole discretion of the Purchaser;
- (iii) any audited NPAT in any particular financial year during the Target Period may not be used to offset any failure to meet any other Profit Target and / or audited net loss in the other financial year;
- (iv) subject to (iv) and (v) below, if the audited NPAT of Zhonglian Shengtong during any of the Target Periods fails to meet the respective Profit Target, the Purchaser shall be entitled to exercise its put and/or call option as set out in Clauses 11.4 to 11.9 of the SHA;
- (v) if the audited NPAT of Zhonglian Shengtong during any of the Target Periods fails to meet the respective Profit Target but achieves at least more than 80% of the respective Profit Target, the Purchaser shall return the respective portion of the Retained Sum to the Vendor less 100% of the difference between the respective Profit Target and the actual audited NPAT of Zhonglian Shengtong; and
- (vi) if First Linkage records an audited net loss during any of the Target Periods, the Vendor shall pay the amount equivalent to the value of the audited net loss to the Purchaser within ten (10) business days after the issue of the audit report for First Linkage for the respective financial year.

3.2.2 The Board is of the view that it is reasonable for the Vendor to provide the Profit Guarantee, so as to safeguard the interests of the Company and the Group in the Proposed Acquisition. The factors which the Board took into account in accepting the Profit Guarantee and the bases of the Board’s view are as follows:

- (a) the Shengyuantong Group has had a profitable track record since the calendar year of 2016. In the year ended 31 December 2016, Shengyuantong recorded an NPAT of RMB 3.5 million;
- (b) the telecommunications network and information technology services industry in the PRC is growing at an increasing pace. This is likely to lead to increased demand for the Shengyuantong Group’s products and services;
- (c) the Retained Sum is a safeguard to ensure the Group’s right of recourse in the event the Profit Guarantee is not met; and
- (d) as the Company will only acquire a 45% interest in the shares of First Linkage pursuant to the Proposed Acquisition, the Board is of the opinion that the Retained Sum is sufficient to

compensate the Company for any shortfall in the level of profits in the event that the Profit Guarantee is not met.

3.2.3 The principal assumptions upon which the Board considered the Profit Guarantee, as well as the profit forecast of Zhonglian Shengtong for the year ending 31 March 2019 (the “**Profit Forecast**”), and profit projection of Zhonglian Shengtong of the year ending 31 March 2020 (the “**Profit Projection**”), on which the Profit Targets and Profit Guarantee are based on, are as follows:

- (a) there will be no material changes in the existing political, legal (including changes in legislation or regulations or rules), fiscal, market or economic conditions in the PRC or any of the countries in which Shengyuantong and its subsidiaries carry on business;
- (b) there will be no material changes in the bases or rates of tax, surcharges or other government levies applicable to Shengyuantong’s business;
- (c) there will be no material changes in inflation rates, interest rates or foreign currency exchange rates from those currently prevailing;
- (d) there will be no significant changes in Shengyuantong’s structure and principal activities or principal sources of revenue;
- (e) the contracts with the essential customers and suppliers of Shengyuantong remain intact and will be renewed as and when they expire either with existing customers or with new customers during the Forecast Period and Projection Period, which will not affect Shengyuantong’s ability to achieve the Profit Forecast and Profit Projection;
- (f) operating expenses will either remain constant or that there will be a corresponding increase in revenue when operating expenses increase;
- (g) there will be no material adverse effect from any industrial or commercial disputes, which will affect the profitability and financial position of the Company;
- (h) there will be no material adverse change in the operational and financial conditions of major suppliers and customers;
- (i) there will be no interruption of the operations that will adversely affect Shengyuantong as a result of circumstances which are beyond management control;
- (j) prices of products and services will not differ materially from those currently prevailing;
- (k) historical financial data would be taking consideration on preparation of the Profit Forecast and Profit Projection. Generally, the financial information for the financial years ended 31 December 2016 and the ten-month period ended 31 October 2017 are incorporated therein;
- (l) the Profit Forecast (defined below) and Profit Projection (defined below) include a principal and hypothetical assumption about the steadily growth of the internet bandwidth volume;
- (m) there will be no forecast dividend payment by Shengyuantong for the Forecast Period and Projection Period; and
- (n) The principal accounting policies adopted in the preparation of the Profit Forecast and the Profit Projection, as set out in Annex B.

3.2.4 Baker Tilly Hong Kong Limited, a certified public accountant, has examined the bases and assumptions, the accounting policies and calculations for the Profit Forecast, and Profit Projection, on which the Profit Targets and Profit Guarantee are based on, and are of the opinion that nothing has come to their attention which causes them to believe that these bases and assumptions, accounting policies and calculations do not provide a reasonable basis for the Profit Forecast and Profit Projection. Furthermore, in the opinion of Baker Tilly Hong Kong Limited, the Profit Forecast and Profit Projection are each properly prepared on the basis of the bases and assumptions, accounting policies and

calculations, and presented in accordance with International Financial Reporting Standards. The letter from Baker Tilly Hong Kong Limited is set out in Annex A hereto.

3.3 Conditions Precedent

3.3.1 The completion of the sale and purchase of the Sale Shares ("**Completion**") is conditional upon the satisfaction of the Purchaser of the fulfilment of the following condition precedents:

- (a) the results of the Purchaser's due diligence exercise on each of First Linkage, First Linkage HK, Zhonglian Shengtong, Shengyuantong, the subsidiaries of Shengyuantong, and their respective affairs, being satisfactory to the Purchaser;
- (b) the provision by the Vendor of evidence satisfactory to the Purchaser that First Linkage is registered as the legal and beneficial owner of 100% of the registered capital of First Linkage HK, and First Linkage HK is registered as the legal and beneficial owner of 100% of the registered capital of Zhonglian Shengtong, without any encumbrances;
- (c) on or prior to Completion, the Purchaser having received and found to its satisfaction the VIE Agreements duly executed and entered into by the First Linkage Group Companies and Shengyuantong Group Members with the relevant parties and the necessary authorisations and/or approvals for executing and giving effect to such documents having been obtained in respect of each of the VIE Agreements;
- (d) on or prior to Completion, the Purchaser having received to its satisfaction a legal opinion from qualified PRC lawyers in the form or substantially the form as annexed to the Deed of S&P;
- (e) there having not been at any time after the date of execution of the Deed of S&P any adverse change, or events or acts likely to lead to such a change, in the business, prospects, financial position or results of operations of and there being no material adverse change in the turnover, profitability, financial position assets (considered in the aggregate), liabilities, or equity of any First Linkage Group Company or any Shengyuantong Group Member from that set forth in the accounts;
- (f) there having not been at any time after the date of execution of the Deed of S&P any adverse change, or events or acts likely to lead to such a change, in the business, prospects, financial position or results of operations of and there being no material adverse change in the turnover, profitability, financial position assets (considered in the aggregate), liabilities, or equity of any First Linkage Group Company or any Shengyuantong Group Member from that set forth in the respective accounts of any First Linkage Group Company or any Shengyuantong Group Member for the period from 31 October 2017 to 31 December 2017;
- (g) all other consents and approvals required under any and all applicable law (including, without limitation, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and constitutional documents for the sale and purchase of the Sale Shares and to give effect to the transactions contemplated under the Deed of S&P (including, without limitation, such waivers as may be necessary of terms which would otherwise constitute a default under any instrument, contract, document or agreement to which the Vendor, the parties to the VIE Agreements or any First Linkage Group Company is a party or by which the Vendor, the parties to the VIE Agreements or any First Linkage Group Company or its or their respective assets are bound, and/or the approval of shareholders, SGX-ST (where required)) being obtained and where any consent or approval is subject to conditions, such conditions being satisfactory to the Purchaser in its sole and absolute discretion;
- (h) no law, judgments, orders, decrees or bans promulgated or issued by any legislative, executive or regulatory body or authority prior to Completion: (i) restricting or prohibiting the entering into of the Deed of S&P, the SHA or any of the VIE Agreements or (ii) having adverse impact in any material aspect on any of the Vendor's, Mr. Bo Wang's, Shengyuantong's, the subsidiaries of Shengyuantong's and/or Zhonglian Shengtong's rights and powers under the Deed of S&P, the SHA or the VIE Agreements and their respective capacity to enter into and perform its obligations under each of the Deed of S&P, the SHA and the VIE Agreements;

- (i) the warranties given by the Vendor in the Deed of S&P remaining true, accurate and not misleading in any respect at Completion, as if repeated at Completion and at all times between the date of the Deed of S&P and Completion;
- (j) the representations, warranties and undertakings given in the VIE Agreements remaining true, accurate, and not misleading in any respect at Completion, as if repeated at Completion and at all times between the respective dates of each VIE Agreement and Completion;
- (k) the rectification of the irregularities set out in Schedules 4, 5 and 6 of the Deed of S&P; and
- (l) there not having been at any time prior to or on Completion the occurrence of any of the following events:
 - (i) liquidation, bankruptcy, or insolvency of any First Linkage Group Company, any Shengyuantong Group Member or the Vendor;
 - (ii) termination of substantially all or part of the business of any First Linkage Group Company or any Shengyuantong Group Member by resolution of the general meeting of their respective shareholders or otherwise;
 - (iii) appointment of any assignee, receiver or liquidator for substantially all or part of the assets or business of any First Linkage Group Company, any Shengyuantong Group Member or the Vendor;
 - (iv) attachment, sequestration, execution or seizure of substantially all or part of the assets of any First Linkage Group Company, any Shengyuantong Group Member or the Vendor; or
 - (v) suspension or withdrawal of the rights and privileges of any First Linkage Group Company or any Shengyuantong Group Member which are material in the conduct of their respective present businesses by any authority or regulator.

3.3.2 The Vendor shall use all reasonable endeavours to ensure the satisfaction of the conditions set out in section 3.3.1. The Purchaser may in its absolute discretion waive (in whole or part) any or all of the conditions set out in section 3.3.1 and such waiver may be given subject to such conditions as the Purchaser may stipulate.

3.3.3 Unless specifically waived by the Purchaser, if any of the conditions set out in section 3.3.1 shall not be fulfilled on or before 12 months from the date of the Deed of S&P or such other date as the parties to the Deed of S&P shall mutually agree in writing, the Deed of S&P shall *ipso facto* cease and determine and neither party shall have any claim against the other for costs, damages, compensation or otherwise, save for any claim by the Purchaser against the Vendor arising from antecedent breach of the terms of the Deed of S&P.

3.4 Indemnity

3.4.1 Under the terms of the Deed of S&P, the Vendor has undertaken to keep the Purchaser or, at its option, any of the Purchaser and affiliated persons (the "**Purchaser Group**") and each First Linkage Group Company fully and effectively indemnified against any and all losses, costs, damages, claims, demands, actions, proceedings, liabilities and expenses whatsoever (including but not limited to all legal costs or attorney's fees on a full indemnity basis) that the Purchaser or such member of the Purchaser Group (as the case may be) and/or any First Linkage Group Company and/or any Shengyuantong Group Member may incur or suffer in connection with or arising from (a) any breach (actual or alleged) or inaccuracies of any of the warranties given by the Vendor in the Deed of S&P and/or any default by the Vendor of any of its obligations under the Deed of S&P or (b) any proceeding against the Purchaser brought by any third party arising out of any such breach or default referred to in (a) above.

3.4.2 Under the terms of the Deed of S&P, notwithstanding any disclosures or any other provisions in this Deed, the Vendor has covenanted with the Purchaser to indemnify and save harmless the Purchaser or, at its option, any other member of the Purchaser Group from and against any and all losses (including, without limitation, any direct or indirect consequential losses; any losses incurred resulting from a diminution in the net asset value of First Linkage and/or the subsidiaries of First Linkage or the net asset value of the First Linkage and/or the subsidiaries of First Linkage being lower than it should have been; any loss of profit; any loss of reputation), costs (including legal costs on a full indemnity basis both before and after judgment) and expenses which the Purchaser or such member of the Purchaser Group (as the case may be) may at any time and from time to time sustain, incur or suffer in respect of:

- (a) non-compliance with any applicable law by any of the First Linkage Group Companies or parties to the VIE Agreements;
- (b) non-compliance with any terms of the VIE Agreements;
- (c) the irregularities listed in Schedules 4, 5 and 6 of the Deed of S&P; and
- (d) any fines, penalties, forfeiture, damages, shut down or any other corrective actions ordered by the relevant authority(ies) under any applicable law due to any irregularities relating to the operations and business of any of the First Linkage Group Companies or parties to the VIE Agreements, including but not limited to the irregularities listed in Schedules 4, 5 and 6 of the Deed of S&P.

3.5 Release and discharge of dividends payable to vendor

3.5.1 Under the Deed of S&P, the Vendor and the Purchaser have agreed that on Completion, the Vendor shall not be entitled to any dividends which may accrue and/or be payable to it in respect of the shares First Linkage (“**Vendor Dividends**”), and the Vendor and each of the Vendor and his affiliated persons (the “**Vendor Group**”) shall absolutely irrevocably and unconditionally fully and forever release, remise and discharge First Linkage and each other member of the Purchaser Group from any and all actions, proceedings, claims, demands, debts, obligations, liabilities, costs or expenses, disputes, of whatsoever kind or nature, in law, contract, equity or otherwise, whether known or unknown, whether or not concealed or hidden, which any member of the Vendor Group have, had, may have had, or now have for or by reason of any matter, cause, issue or thing whatsoever, including but not in any respect limiting the generality of the foregoing, any and all claims which were or might have been asserted in relation to the Vendor Dividends.

3.6 Power of Attorney

3.6.1 Under the Deed of S&P, the Vendor has irrevocably appointed the Purchaser and every director of the Purchaser severally as its attorney (with full power of substitution), on its behalf and in its name or otherwise, at such time and in such manner as the attorney thinks fit:

- (a) to do anything which the Vendor is obliged to do (but has not done) under the Deed of S&P (including to execute charges over, transfers, conveyances, assignments and assurances of, and other instruments, notices, orders and directions relating to, the Deed of S&P and depose to or swear all declarations and/or oaths which may be necessary to effect the transactions contemplated under the Deed of S&P);
- (b) to execute, complete, and deliver, all relevant documents as may be desirable, necessary or required to give effect to the transactions contemplated under the Deed of S&P, to the Purchaser; and
- (c) generally to do all or any other acts and things which are necessary for or incidental to all or any of the purposes aforesaid.

3.6.2 Under the Deed of S&P, the Vendor and Purchaser have agreed that the power of attorney executed by Mr. Xiaoxin Wang (as set out in section 2.5.3) shall be exercised by a deputy appointed by the Purchaser.

4. PRINCIPAL TERMS OF THE SHA

4.1 The SHA contains key terms to protect the interests of the Company and the Group, such as terms providing for the structure of the boards of directors of the various entities, reserved matters that require approval from the Group or director appointed by the Group, the Group's control of the working capital of First Linkage, a lock-up period for the shares of First Linkage held by the Vendor, pre-emption rights, non-competition and non-solicitation, and deadlock resolution. Further details of such terms are set out below.

4.2 Boards of Directors

4.2.1 Under the terms of the SHA and based on their respective 45% and 55% shareholdings in First Linkage, LottVision Internet Management shall be entitled to nominate two (2) directors, and Mr. Xiaoxin Wang shall be entitled to nominate three (3) directors, to the board of directors of First Linkage.

4.2.2 Under the terms of the SHA, the shareholders of First Linkage shall procure, *inter alia*, that the composition and structure of the board of directors of each of First Linkage HK, Zhonglian Shengtong and each Shengyuantong Group Member is the same as that of First Linkage.

4.3 Reserved Matters

4.3.1 Under the terms of the SHA:

(a) Board Reserved Matters

The shareholders of First Linkage shall procure that no action is taken nor resolution passed by First Linkage in respect of various matters relating to the management and operations of the First Linkage Group Companies without the prior approval of the directors appointed by LottVision Internet Management present and voting at the relevant board meeting.

(b) Shareholder Reserved Matters

The shareholders of First Linkage shall procure that no action is taken nor resolution passed by First Linkage in respect of various matters relating to the management and operations of the First Linkage Group Companies without the prior approval of LottVision Internet Management present and voting at the relevant general meeting.

4.4 Working Capital

4.4.1 The parties to the SHA have agreed to place all working capital in a bank account of First Linkage ("**Bank Account**") which shall be utilized for the administration of all payments to be made by the Company. All proceeds received in connection with the First Linkage Group shall be paid into the Bank Account.

Any cheque or instruction to the bank in connection with the Bank Account for an amount exceeding US\$100,000 shall bear the joint signatures of one (1) mandatory signatory from Group A and one (1) mandatory signatory from Group B:

Group A – nominees from LottVision Internet Management;

Group B – nominees from Xiaoxin Wang.

4.5 Consent for Transfer and No Encumbrance on Shares

4.5.1 For the duration of five (5) years from the date of the SHA, Mr. Xiaoxin Wang shall not, without the prior written consent of LottVision Internet Management:

(a) transfer all or any part of his shares of First Linkage or any interest therein; or

- (b) create or have outstanding any encumbrance on or over any shares of First Linkage or any part of its interest in such shares.

4.6 Issuance of New Shares

- 4.6.1 Shareholders of First Linkage that are a party to the SHA (the “**SHA Shareholders**”) shall have the right to subscribe for their portion of any new shares or other securities issued by First Linkage in their respective shareholding portion *inter se*.

4.7 Transfers of Shares

- 4.7.1 If any SHA Shareholder, other than LottVision Internet Management, desires to transfer any of its shares of First Linkage (the “**Transferor**”), that Transferor shall first offer in writing those shares to be transferred by the Transferor to LottVision Internet Management at a price and on such terms and conditions of the proposed sale by the Transferor (the “**Pre-emption Right**”).

4.8 Tag along

- 4.8.1 In the event that the Transferor intends by a single transaction or series of transactions to transfer shares of First Linkage amounting to twenty (20) per cent. or more of the then prevailing total issued shares of First Linkage, LottVision Internet Management shall have a right to sell its shares on the same terms to the same party on a pro-rata basis. Such rights are subject to the Pre-emption Right, which take precedence.

4.9 Non-Competition and Non-Solicitation

- 4.9.1 Under the terms of the SHA, each of the SHA Shareholders (save for LottVision Internet Management) has undertaken that he/she/it shall not, and shall procure that each of his connected persons shall not, without the prior written consent of LottVision Internet Management, for the duration that they are a party to the SHA and for a period of one (1) year thereafter:
 - (a) directly or indirectly, carry on (whether alone or in partnership or joint venture with anyone else) or otherwise be concerned with or interested in (whether as trustee, principal, agent, shareholder, unit holder or in any other capacity) any business similar to or competitive with the business carried on by the First Linkage Group or the Shengyuantong Group (collectively, the “**VIE Group**” and each entity therein a “**VIE Group Member**”), in any country where any VIE Group Member currently carries on its business, sells its products and/or provides its services;
 - (b) solicit or persuade, or attempt to solicit or persuade, any person or corporation which is a customer or client of any VIE Group Member, or who was in the one (1) year period before the date of the SHA a customer or client of or in respect of the business carried on by any VIE Group Member, to cease doing business with the VIE Group or reduce the amount of business which the customer or client would normally do in respect of the business carried on by the VIE Group;
 - (c) accept from a customer or client referred to in sub-paragraph (b) above any business of the kind ordinarily forming part of the business carried on by the VIE Group;
 - (d) at any time induce or attempt to induce any Restricted Person to terminate his or her employment with that VIE Group Member whether or not such person would commit any breach of his contract of employment by reason of leaving the service of the VIE Group Member; or
 - (e) directly or indirectly employ any Restricted Person who is or may be likely to be in possession of any confidential information or trade secrets relating to the business of any VIE Group Member or the business of the customers and suppliers of any VIE Group Member.

For these purposes:

"Restricted Person" means any director, manager, employee or servant providing material services to any VIE Group Member, with whom such SHA Shareholder had material business-related contact, or about whom such SHA Shareholder had access to confidential personnel information, or for whom such SHA Shareholder had direct or indirect supervisory responsibility.

4.10 Default Put & Call Option under SHA

4.10.1 Under the terms of the SHA, LottVision Internet Management may serve a written notice specifying the event of default on the occurrence of any of the following events (the **"Default Notice"**):

- (a) any of the Company or SHA Shareholders not being LottVision Internet Management (**"Warrantor"**) is in breach of the terms of this Agreement;
- (b) a shareholder other than LottVision Internet Management suffers a change of control (as applicable); or
- (c) any order by a court of competent jurisdiction is made for the liquidation, winding up or bankruptcy of any Warrantor or the appointment of any receiver of any of the assets of any Warrantor or any liquidator or provisional liquidator or judicial manager of any Warrantor or any resolution is validly and effectively passed by the members or creditors of that Warrantor for the liquidation or winding up of that Warrantor or any analogous procedure under any applicable law (other than a resolution for a voluntary liquidation or winding up of that Warrantor by the members thereof);
- (d) The NPAT of First Linkage in the financial year ending 31 March 2019 as reflected in the audited accounts are less than RMB 16,000,000; or
- (e) The audited NPAT of First Linkage in the financial year ending 31 March 2020 as reflected in the audited accounts are less than RMB 24,000,000.

4.10.2 Upon serving a Default Notice to a shareholder of First Linkage the default of whom the relevant event of default occurred (the **"Defaulting Shareholder"**), LottVision Internet Management shall, without prejudice to any other rights and remedies it may have:

- (a) be entitled to a call option (the **"Default Call Option"**), being the right of LottVision Internet Management to require the Defaulting Shareholder to sell to LottVision Internet Management free from all encumbrances and with all rights and advantages attaching thereto, all (and not some only) of the shares of First Linkage held by the Defaulting Shareholder for the time being (the **"Defaulting Shareholder's Shares"**) at RMB 90,000,000; and
- (b) be entitled to a put option (the **"Default Put Option"**), being the right of LottVision Internet Management to require the Defaulting Shareholder to purchase from LottVision Internet Management free from all encumbrances and with all rights and advantages attaching thereto, such number of the shares of First Linkage held by LottVision Internet Management for the time being as may be specified by LottVision Internet Management (the **"LottVision Put Option Shares"**) at RMB 90,000,000.

4.11 Indemnity

4.11.1 Under the terms of the SHA, each of the Warrantors has jointly and severally covenanted and undertaken with LottVision Internet Management that he/she/it will indemnify and keep LottVision Internet Management fully indemnified against any damages, losses (including, without limitation, any direct or indirect consequential losses; any losses incurred resulting from a diminution in the net asset value of the Group or the net asset value of the Group being lower than it should have been; any loss of profit; any loss of reputation), costs (including legal costs on a full indemnity basis both before and after judgment) and expenses which LottVision Internet Management may suffer or incur in connection with or arising from any breach or breaches by the Warrantors of any of their obligations under the

SHA or any breach or breaches of any warranty, undertaking or representation as set out in the SHA and the schedules thereto or the enforcement of LottVision Internet Management's rights hereunder.

4.12 Deadlock

4.12.1 Under the terms of the SHA, a "**Deadlock**" is deemed to have occurred (a "**Deadlock Matter**") where:

- (a) a dispute arises in respect of any proposal for a Shareholders Reserved Matter and/or Board Reserved Matter in relation to the SHA and the resolution for such proposal cannot be resolved within a period of thirty (30) days from the date of the meeting, due to the failure to obtain the requisite approval;
- (b) an adjourned meeting of directors duly convened pursuant to Clause 4.8(c) of the SHA cannot be held after two (2) successive attempts for lack of quorum; or
- (c) an adjourned general meeting of the Company duly convened pursuant to Clause 5.1(a) of the SHA cannot be held after two (2) successive attempts for lack of a quorum.

4.12.2 The SHA provides for the following deadlock resolution process:

- (a) During the period of thirty (30) days following the occurrence of a Deadlock, each of the SHA Shareholders shall negotiate in good faith to resolve the Deadlock.
- (b) If the SHA Shareholders are unable to resolve the Deadlock within such period of thirty (30) days, any of the SHA Shareholders may require referral to mediation at the Singapore Mediation Centre ("**SMC**"), and submit a request thereto for mediation by a mediator (the "**Mediator**") to be appointed by the SMC.
- (c) If the SHA Shareholders are unable to resolve the Deadlock Matter within the fifteen (15) days after the Deadlock Matter has been referred to the Mediator, any of the SHA Shareholders may within fifteen (15) days from the end of such period serve a notice ("**Deadlock Valuation Notice**") on the other SHA Shareholders.
- (d) Where a Deadlock Valuation Notice is served, the fair market value of the shares of First Linkage shall be determined in accordance with Clause 13.2 of the SHA. From the date of the written notification of such valuation (the "**Deadlock Valuation**") by the auditors, LottVision Internet Management shall be entitled to require any of the other shareholders that are parties to the SHA and/or the Company by notice in writing to purchase all (and not some only) of the shares of First Linkage held by LottVision Internet Management, free from all liens, charges and other encumbrances and with all rights and advantages attaching thereto (the "**Deadlock Shares**") at the Deadlock Valuation, or such higher price as may be agreed between the SHA Shareholders, and upon service of the Deadlock Notice, such SHA Shareholders and/or the Company shall become bound to purchase all (and not some only) of the Deadlock Shares.

5. RATIONALE FOR THE PROPOSED ACQUISITION

- 5.1 Although the Group has in recent years consolidated and divested most of its internet and web TV subsidiaries, the Group has maintained an existing internet management business alongside its business in nutrition and health food products. In line with its mission to develop a sound business model and to continually seek and develop opportunities in high-growth markets, the Group has been seeking potential business opportunities in or related to its existing areas of business.
- 5.2 Together with the increase in the numbers of internet users, online businesses and e-commerce activities in the PRC, there has been an increase in the requirements for internet support networks. The Group believes that in line therewith, there will be a growth in the demand for internet access services, network services and internet solutions.
- 5.3 As set out in section 2.2, the Shengyuantong Group and Mr. Xiaoxin Wang have a good track record in the information technology and internet-related services (including but not limited to internet access

services) business. The Group sees potential for the development of its secondary line of business to diversify its income streams through the strategic partnership structure as set out under section 2.3 which will allow the Group to leverage on both the professional expertise and experience of the Shengyuantong Group and Mr. Xiaoxin Wang as well as the Group's existing capabilities and know-how in its internet management business.

- 5.4 Notwithstanding the intended development of a secondary line of business and the size of the investment under the Proposed Acquisition, the Group has no intention of changing its core business. The Group's nutrition and health food products business is and will remain its core business. The Group continues to focus its core efforts on research and development, and the manufacture and sale of its nutrition and health food products. The Group, through its wholly-owned subsidiary, NutryFarm (Chengdu) Biomedicine Limited, has been carrying out its three key "Macro" strategies to enhance its branding and distribution channels to boost brand recognition and further expand its market share, as set out in its annual report for the financial year ended 31 March 2017 ("FY2017"): by focusing on e-commerce platforms to enhance brand recognition, by building a "macro brand" through targeting traditional brick-and-mortar retail chains and through building brand equity through marketing and public relations activities, and by identifying high traffic supermarket chains to sell highly popular products.
- 5.5 With the healthy revenues that the Group's core business in nutrition and health food products has been generating, the Group has excess working capital that it is able to invest elsewhere. Having identified the promising potential for growth in the information technology and internet-related services industry and a potential strategic business partner with a good track record and professional expertise, the Group is of the view that it is currently an opportune period for the investment of resources into this industry by way of this strategic business partnership.
- 5.6 The Group currently has no intention of acquiring or developing a second principal business through the Proposed Acquisition and strategic partnership with the Shengyuantong Group and Mr. Xiaoxin Wang. Under the Proposed Acquisition, as the Group will only be investing by way of the acquisition of a 45% stake in the First Linkage Group, and the companies in the First Linkage Group will only be associated companies, and not principal subsidiaries, under the equity method in accordance with FRS 28 Investments in Associates and Joint Ventures.
- 5.7 Notwithstanding the Group's minority 45% stake in the First Linkage Group, the Group has taken steps to protect its interests and investment in the First Linkage Group. Prior to the signing of the Deed of S&P and the SHA, the Group has conducted due diligence on the First Linkage Group and Shengyuantong Group. The Group has also obtained a legal opinion from Tian Yuan Law Firm opining on, *inter alia*, the validity, legality and enforceability of the VIE Agreements. Together with the Deed of S&P and the SHA, the VIE Agreements have been structured so as to give the Group the rights necessary to protect its interests and investment in the First Linkage Group.
- 5.8 Minimum trading price
- 5.8.1 As announced previously on, *inter alia*, 3 June 2017, 14 August 2017, 13 November 2017 and 12 February 2018 (such announcements collectively, the "**MTP Update Announcements**"), the Company was notified by the SGX-ST that the Company will be placed on the watch-list with effect from 5 June 2017 pursuant to Rule 1311(2) of the Listing Manual of the SGX-ST due to the Company having recorded a volume-weighted average price of less than S\$0.20 over the 6 months prior to June 2017 and an average daily market capitalisation of less than S\$40 million over the 6 months prior to June 2017. The SGX-ST informed the Company that it must take active steps to meet the requirements of Rule 1314(2) of the Listing Manual of the SGX-ST (the "**Rule 1314(2) Requirement**") within thirty-six (36) months from 5 June 2017, failing which the SGX-ST would delist the Company or suspend trading in the Company's shares with a view to delisting the Company. In particular, pursuant to the Rule 1314(2) Requirement, the Company will be assessed by the SGX-ST for removal from the watch-list if it records a volume-weighted average price of at least S\$0.20 and an average daily market capitalisation of S\$40 million or more over a period of 6 months.
- 5.8.2 To meet the average daily market capitalisation requirement of the Rule 1314(2) Requirement, the Company has previously conducted a renounceable non-underwritten rights issue of 32,140,701 new ordinary shares in the capital of the Company (as announced on 30 March 2017, 29 June 2017, 7

August 2017, 23 November 2017, 5 December 2017, 27 December 2017 and 30 December 2017) to increase its market capitalisation.

- 5.8.3 The Proposed Acquisition is part of the active and continual efforts of the Company to, as previously announced in the MTP Update Announcements, increase the Company's profitability so as to meet the volume-weighted average price requirement of the Rule 1314(2) Requirement. Through the Proposed Acquisition, the Company hopes to increase its profitability and attract more investors so as to enhance long-term shareholder value.

6. FINANCIAL EFFECTS OF THE PROPOSED ACQUISITION

- 6.1 The pro-forma financial effects of the Proposed Acquisition are for illustration purposes only and do not reflect the actual financial results of the Company after completion of the Proposed Acquisition.
- 6.2 The following pro-forma financial effects have been prepared based on the audited consolidated financial statements of the Company for FY2017, and assuming that the Proposed Acquisition had been completed on:
- 1 April 2016 for illustrating the financial effect on the consolidated earnings and earnings per share of the Group; and
 - 31 March 2017 for illustrating the financial effect on the consolidated net tangible assets and consolidated net asset value of the Group.

Earnings / (Losses) per Share

	Earnings / (Losses) attributable to Shareholders (HK\$'000)	Weighted average number of Shares	Earnings / (Losses) per Share (HK\$ cents)
Before the Proposed Acquisition	1,356	64,281,402	2.11
After the Proposed Acquisition	1,767	64,281,402	2.75

NTA

	NTA (HK\$'000)	Number of Shares as at 31 March 2017	NTA per Share (HK\$ cents)
Before the Proposed Acquisition	92,854	64,281,402	144.45
After the Proposed Acquisition	108,687	64,281,402	169.08

7. RELATIVE FIGURES ON THE BASES SET OUT IN RULE 1006

- 7.1 Based on the latest announced consolidated results of the Group, the relative figures applicable to the Proposed Acquisition computed on the bases pursuant to Rule 1006 (a) to (e) of the Listing Manual of the SGX-ST are as follows:

Listing Rule	Basis	Relative Figures (%)
Rule 1006(a)	Net asset value of assets being disposed of, as compared with the Group's net asset value. This basis is not applicable to an acquisition of assets.	Not applicable.
Rule 1006(b)	Net profits attributable to the assets acquired or disposed of, compared with the Group's net profits.	26.91%

Rule 1006(c)	Aggregate value of the consideration given or received, compared with the Company's market capitalisation based on the total number of issued shares excluding treasury shares.	90.13%
Rule 1006(d)	Number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable as no equity securities are to be issued as consideration.
Rule 1006(e)	Aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the Group's proved and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets.	Not applicable.

As the figures in Rule 1006(b) and (c) are more than 20%, the Proposed Acquisition will constitute a "Major Transaction" to the Company within the meaning of Chapter 10 of the Listing Manual of the SGX-ST, as computed on the above bases. Accordingly, the Proposed Acquisition will be made conditional upon approval by the shareholders of the Company in a special general meeting to be convened.

8. SERVICE CONTRACTS

- 8.1 There are no Directors proposed to be appointed to the Company in connection with the Proposed Acquisition. Accordingly, no service contract is proposed to be entered into between the Company and any Director.

9. INTERESTS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

- 9.1 None of the Directors, and to the best knowledge of the Directors, none of the controlling shareholders of the Company has any interest, direct or indirect, in the Proposed Acquisition.
- 9.2 To the Director's best knowledge, there is no relationship between Zhonglian Shengtong, Shengyuantong, Xinjiang Zhongtong or their directors or controlling shareholders to any of the customers of Zhonglian Shengtong and/or the Shengyuantong Group. There is also no relationship between the Company and its directors or controlling shareholders to any of the customers of Zhonglian Shengtong and/or the Shengyuantong Group.

10. DIRECTORS' RESPONSIBILITY STATEMENT

- 10.1 The Directors (including those who may have delegated detailed supervision of this announcement) have taken all reasonable care to ensure that the facts stated in this announcement are fair and accurate and that no material facts have been omitted from this announcement, and they jointly and severally accept responsibility accordingly.
- 10.2 Where any information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this announcement.

11. DOCUMENTS AVAILABLE FOR INSPECTION

- 11.1 While the registered office of the Company is in Bermuda, the principal office of the Company is in Hong Kong and the office of the Company's share transfer agent is in Singapore. Taking into account

that Hong Kong and Singapore are more accessible locations than Bermuda, copies of the following documents will be available for inspection at the principal office of the Company at Room 1916, 19/F, Star House, 3 Salisbury Road, Tsim Sha Tsui, Kowloon, Hong Kong, and the office of the Company's Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 during normal business hours for three (3) months from the date of the announcement:

- (a) the memorandum and bye-laws of the Company;
- (b) the VIE Agreements;
- (c) the Deed of S&P;
- (d) the SHA; and
- (e) a copy of the Valuation Report.

BY ORDER OF THE BOARD

Paul Gao Xiangnong

Chief Executive Officer and Executive Director
15 March 2018

Annex A



BAKER TILLY
HONG KONG | 天職香港

15 March 2018

Our Ref.: N406/mt/oc/u18

The Directors
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Dear Sirs,

Profit forecast for the year ending 31 March 2019 (“Profit Forecast”) and profit projection for the year ending 31 March 2020 (“Profit Projection”) of First Linkage Inc. (聯首有限公司) (“FLI”) and its subsidiary (together, “FLI Group”)

This letter is provided solely to the directors of NutryFarm International Limited (the “Directors”) in connection with the proposed acquisition of 45% of the equity interest in First Linkage Inc. (聯首有限公司) (“FLI”) from Mr. Wang, Xiaoxin (the “Vendor”) for an aggregate purchase consideration of RMB90.0 million in accordance with the terms and conditions of the sale and purchase agreement dated 15 March 2018 (the “Proposed Acquisition”). Our work in connection with the Profit Forecast and Profit Projection has been undertaken to enable the Directors to comply with, *inter alia*, the regulatory requirements of the listing manual of Singapore Exchange Securities Trading Limited (the “SGX Listing Manual”), including but not limited to announcement(s) by NutryFarm International Limited (“NutryFarm”), and the circular to the shareholders of NutryFarm, in connection with the Proposed Acquisition.

FLI is the legal and beneficial owner of 100% of the fully issued and paid up capital of First Linkage Hong Kong Limited (“FLHK”), which is the legal and beneficial owner of 100% of the registered capital of Beijing Zhonglian Shengtong Network Technology Limited (北京眾聯盛通網絡技術有限公司) (“ZLST”). As of the date of this report, ZLST has not yet commenced business. SYT has entered into Exclusive Management Service and Business Cooperation Agreement dated 15 March 2018 with ZLST in which SYT will pay 45% of revenue of SYT Group, and 45% of revenue of SYT Group, to ZLST for the year ending 31 March 2019 and 31 March 2020 respectively. The Vendor guarantees that the audited net profit after tax of ZLST for the year ending 31 March 2019 and 31 March 2020 will be no less than RMB20.0 million and RMB30.0 million, respectively (the “Profit Guarantees”).

We have examined the Profit Forecast and Profit Projection on which the Profit Guarantees are based, in accordance with International Standard on Assurance Engagements 3400 “The Examination of Prospective Financial Information” applicable to the examination of prospective financial information. Mr. Xiaoxin Wang, the director of FLI, ZLST and SYT is responsible for the Profit Forecast and Profit Projection, including the assumptions on which they are based.

/.....2

15 March 2018

Profit Forecast

Based on our examination of the evidence supporting the bases and assumptions, accounting policies and calculations, nothing has come to our attention which causes us to believe that these bases and assumptions, accounting policies and calculations do not provide a reasonable basis for the Profit Forecast. Further, in our opinion the Profit Forecast is properly prepared on the basis of the bases and assumptions, accounting policies and calculations, and is presented in accordance with International Financial Reporting Standards.

Actual results are likely to be different from the Profit Forecast since anticipated events frequently do not occur as expected and the variation may be material.

Profit Projection

The Profit Projection is intended to show a possible outcome based on the stated assumptions. As the length of the period covered by the Profit Projection extends beyond the period covered by the Profit Forecast, the Profit Projection has been prepared using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, the Profit Projection does not therefore constitute a Profit Forecast and readers are cautioned that the Profit Projection may not be appropriate for purposes other than described above.

Based on our examination of the evidence supporting the bases and assumptions, accounting policies and calculations, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the Profit Projection, assuming that state or refer to the hypothetical assumptions. Further, in our opinion the Profit Projection is properly prepared on the basis of the bases and assumptions, accounting policies and calculations, and is presented in accordance with International Financial Reporting Standards.

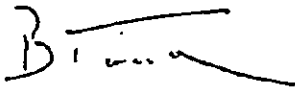
Even if the events anticipated under the hypothetical assumptions occurs, actual results are still likely to be different from the Profit Projection since other anticipated events frequently do not occur as expected and the variation may be material.

Attention is drawn, in particular, to the risk factors set out in section 2.9 of the announcement of the Proposed Acquisition dated 15 March 2018 which describe the principal risks associated with the Proposed Acquisition, to which the Profit Forecast and Profit Projection relates.

15 March 2018

This letter is provided on the basis that it is solely for the information of the Directors to enable them to fulfill the requirements as set out in the SGX Listing Manual, including disclosures of the contents of this document that may be made in order to comply with the SGX Listing Manual. This letter should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purpose. We do not assume any responsibility or liabilities for losses occasioned to the Directors or any other party as a result of the circulation, publication, reproduction or use of the letter contrary to the provision of this paragraph.

Yours faithfully,



Baker Tilly Hong Kong Limited

Certified Public Accountants

Hong Kong, 15 March 2018

Tong Wai Hang

Practising certificate number P06231

Annex B

PRINCIPAL ACCOUNTING POLICIES

1 Basis of preparation

The measurement basis used in the preparation of the financial statements is the historical cost basis.

2 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of items of fixed assets other than construction in progress, less their estimated residual value, using straight-line method over their estimated useful lives as follows:

	Estimated useful lives
Furniture and fixture	3 years
Machinery	3 to 5 years
Computer and office equipment	3 years

3 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excluded borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

4 Taxation

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits. Apart from differences which arise on initial recognition of assets and liabilities, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

5 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to SYT Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

- (i) Revenue from the provision of internet access and internet transit services is recognised at the time when the services are rendered.
- (ii) Storage fee income is recognised on an accrual basis when the services are rendered.
- (iii) Revenue arising from the sale of goods is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

6 Operating leases

Where the Company has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal installments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

7 Borrowing costs

Borrowing costs are expensed in the period in which they are incurred.