



**Grand Group**  
高 睿 德

Grand Group Investment PLC  
**Admission to AIM**

**incubate**

**invest**

**exit**



ZAI CORPORATE FINANCE

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document, or the action you should take, you should seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (“FSMA”) if you are in the United Kingdom or, if not, from another appropriately authorised independent adviser who specialises in advising on the acquisition of shares and other securities.

Application will be made for the Enlarged Share Capital to be admitted to trading on the AIM market of the London Stock Exchange (“AIM”). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Enlarged Share Capital is not admitted to trading on any recognised investment exchange and is not dealt in on any Regulated Market (as defined in the Markets in Financial Instruments Directive) and apart from the application for Admission, no such other applications have been or are intended to be made. The Directors expect that Admission will become effective and that dealings in the Enlarged Share Capital will commence on AIM on or around 27 January 2015.

This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules for Companies. This document does not constitute an offer to the public in accordance with the provisions of section 85 of FSMA and is not an approved prospectus for the purposes of, and as defined in, section 85 of FSMA and has not been prepared as an approved prospectus in accordance with the Prospectus Rules made under section 73 of FSMA. This document has also not been approved by the UKLA or by any other authority which would be a competent authority for the purposes of the Prospectus Directive.

The Company (as defined on page 8 of this document) and the Directors (as set out on page 6 of this document), accept responsibility for the information contained in this document, including responsibility for compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Company and the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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# Grand Group Investment PLC

*(incorporated in the Cayman Islands with registration number 285708)*

## Placing of 8,952,631 Ordinary Shares at a price of 80p per share and Admission of Ordinary Shares to trading on AIM

**Nominated Adviser and Broker:  
ZAI Corporate Finance Limited**

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The Enlarged Share Capital will not be registered under the United States Securities Act of 1933, as amended, or under the securities legislation of, or with any securities regulatory authority of, any state or other jurisdiction of the United States or under the applicable securities laws of any province or state of the Cayman Islands, the Republic of South Africa, Australia, Canada or Japan nor in any other jurisdiction where such registration would breach any applicable law or regulation. Accordingly, subject to certain exceptions, the Ordinary Shares may not be offered or sold, directly or indirectly, in or into the United States, the Cayman Islands, the Republic of South Africa, Australia, Canada or Japan or to or for the account or benefit of any national, resident or citizen of the Republic of South Africa, Australia, Canada or Japan or any person located in the United States. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or buy, any of the Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction. The distribution of this document in certain jurisdictions may be restricted by law. In particular, this document should not be distributed, published, reproduced or otherwise made available in whole or in part, or disclosed by recipients to any other person, and in particular, should not be distributed, subject to certain exceptions, to persons with addresses in the United States, the Cayman Islands, the Republic of South Africa, Australia, Canada or Japan. No action has been taken by the Company or ZAI Corporate Finance Limited (“ZAI”) that would permit a public offer of any of the Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of such jurisdictions.

ZAI, which is authorised and regulated in the United Kingdom by the FCA and is a member firm of the London Stock Exchange, is the Company’s Nominated Adviser and Broker in connection with the Admission for the purposes of the AIM Rules and is acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of ZAI or for advising any other person in respect of the proposed Placing and Admission. The responsibilities of ZAI, as Nominated Adviser under the AIM Rules, are owed solely to the London Stock Exchange and are not owed to the Company or any Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this Document. No person is authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised. No representation or warranty, express or implied, is made by ZAI as to any of the contents of this Document. ZAI has not authorised the contents of any part of this document for any purpose and no liability whatsoever is accepted by ZAI for the accuracy of any information or opinions contained in this document. Neither the delivery of this document hereunder nor any subsequent subscription or sale made for Ordinary Shares shall, under any circumstances, create any implication that the information contained in this document is correct as of any time subsequent to the date of this Document.

Copies of this document will be available free of charge during normal business hours on any weekday (except Saturdays, Sundays and public holidays) from the office of ZAI, 1 Hobhouse Court, Suffolk Street, London SW1Y 4HH from the date of this document and for a period of at least one month from Admission. Additionally, an electronic version of this document will be available at the Company’s website, [www.grandgroupplc.com](http://www.grandgroupplc.com).

An investment in Grand Group Investment PLC may not be suitable for all recipients of this document. Any such investment is speculative and involves a high degree of risk. Prospective purchasers of Ordinary Shares should carefully consider whether an investment in the Company is suitable for them in light of their circumstances and the financial resources available to them. Attention is drawn, in particular, to the Risk Factors set out in Part IV of this document.

## **FORWARD LOOKING STATEMENTS**

Certain statements in this document are forward looking statements. These forward looking statements are not based on historical facts but rather on management's expectations regarding Grand's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, planned activity and the results of such activity, business prospects and opportunities. Such forward looking statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including risks associated with vulnerability to general economic and business conditions, competition, environmental and other regulatory changes, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although the forward looking statements contained in this document are based upon what management believes to be reasonable assumptions, the Company cannot assure investors that actual results will be consistent with these forward looking statements

## **OVERSEAS SHAREHOLDERS**

This document does not constitute an offer to sell, or a solicitation to buy Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not, subject to certain exceptions, for distribution in or into the United States, Canada, Australia, the Republic of South Africa, the Cayman Islands or Japan. The Ordinary Shares have not been nor will be registered under the United States Securities Act of 1933, as amended, nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, the Cayman Islands or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States, Canada, Australia, the Republic of South Africa, the Cayman Islands or Japan or to any national, citizen or resident of the United States, Canada, Australia, the Republic of South Africa, the Cayman Islands or Japan. The distribution of this document in certain jurisdictions may be restricted by law. No action has been taken by the Company or ZAI Corporate Finance Limited that would permit a public offer of Ordinary Shares or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Holding Ordinary Shares may have implications for overseas Shareholders under the laws of the relevant overseas jurisdictions. Overseas Shareholders should inform themselves about and observe any applicable legal requirements. It is the responsibility of each overseas Shareholder to satisfy himself as to the full observance of the laws of the relevant jurisdiction in connection therewith, including the obtaining of any governmental, exchange control or other consents which may be required, or the compliance with other necessary formalities which are required to be observed and the payment of any issue, transfer or other taxes due in such jurisdiction.

### **Singapore**

This document and any other materials relating to the Ordinary Shares have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, this document and any other document or materials in connection with the Placing and Admission, or invitation for subscription or purchase, of Ordinary Shares, may not be issued, circulated or distributed, nor may the Ordinary Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This document has been given to you on the basis that you are (i) an existing holder of the Company's shares, (ii) an "institutional investor" (as defined in the SFA) or (iii) a "relevant person" (as defined in section 275(2)

of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

Any offer is not made to you with a view to the Ordinary Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Ordinary Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### **Hong Kong**

**The contents of this document have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Placing. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.**

The Ordinary Shares may not be offered or sold in Hong Kong, by means of this or any other document, other than (a) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; nor may any person issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Ordinary Shares, which is directed at, or the contents of which are an offer to the public within the meaning of that Ordinance; nor may any person issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Ordinary Shares, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Ordinary Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### **People’s Republic of China**

This document has not been and will not be circulated or distributed in the PRC and the Ordinary Shares may not be offered or sold to any person for re-offering or resale, directly or indirectly, to any resident of the PRC except pursuant to applicable laws and regulations of the PRC. For the purpose of this section only, the PRC does not include Taiwan and the special administrative regions of Hong Kong and Macau.

This admission document has not been nor will it be approved by or registered with the relevant Chinese governmental authorities, and it does not constitute nor is it intended to constitute an offer of securities within the meaning prescribed under the PRC Securities Law or other laws and regulations of the PRC. Accordingly, this admission document shall not be offered or made available, nor may the Ordinary Shares be marketed or offered for sale to the general public, directly or indirectly, in the PRC.

The Ordinary Shares shall only be offered or sold to PRC investors that are authorised or qualified to be engaged in the purchase of the Ordinary Shares being offered. Potential investors in the PRC are responsible for obtaining all the relevant regulatory approvals/licences from the Chinese government by themselves, including, without limitation, those that may be required from the State Administration of Foreign Exchange, the China Banking Regulatory Commission, the Ministry of Commerce and the National Development and Reform Commission, where appropriate, and for complying with all the relevant PRC laws and regulations in subscribing for Ordinary Shares.

### **Cayman Islands**

No invitation may be made to the public in the Cayman Islands to subscribe for Ordinary Shares.

## **NOTICE TO RESIDENTS OF THE UNITED STATES**

This document is in respect of securities of a Cayman Islands company filing an application for all of the issued and to be issued Ordinary Shares to be admitted to trading on AIM, and has been created under the disclosure regime provided by the AIM Rules for Companies, which is materially different to disclosure prepared in accordance with U.S. law. As noted above, because this document does not constitute an offer to the public in accordance with UK provisions, this document has not been prepared under the retail investor oriented Prospectus Rules made under section 73 of FSMA. If you are a U.S. investor using this document to assist your diligence regarding the Company, you must be prepared to perform your own diligence in addition to reviewing this document.

An application for the registration of securities on AIM is not subject to the rules governing the registration of securities under the United States Securities Act of 1933, as amended, nor those of the U.S. states. Neither the Securities and Exchange Commission nor any other U.S. or state securities commission or regulatory authority has approved of or passed an opinion on the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence. Any financial information regarding the Company or its investment(s) included in this document has been prepared in accordance with International Financial Reporting Standards (“IFRS”) that may not be comparable to the financial statements of U.S. companies. U.S. generally accepted accounting principles differ in many respects from IFRS. None of the financial information included in this document has been audited in accordance with auditing standards generally accepted in the United States or the auditing standards of the Public Company Accounting Oversight Board (United States). It may be difficult for Shareholders who are U.S. persons to enforce any rights and claims that they may have arising under U.S. federal or state securities laws in respect of the document or their holding of any Ordinary Shares, as the Company is located in a country other than the United States and its officers and directors are residents of countries other than the United States. U.S. holders of Ordinary Shares may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court’s judgment.

Holders subject to tax in the United States, for example, are strongly urged to contact their tax advisers about the consequences of holding Ordinary Shares including the potential applicability of special rules concerning U.S. shareholders of non-U.S. corporations. Also note, at this time the Company does not intend to make special accommodations regarding its financial information to assist holders with their U.S. tax obligations. This present intention may cause additional difficulty to U.S. holders when attempting to assess the tax profile of the Ordinary Shares.



## DIRECTORS, SECRETARY AND ADVISERS

<b>Directors</b>	James Shields Newman – <i>Independent Non-Executive Chairman</i> Zhou Jiang – <i>Executive Director</i> Gu Yingying – <i>Executive Director</i> Li Chuang – <i>Executive Director</i> Yang Xiao – <i>Executive Director</i> John Mark Hemmann – <i>Independent Non-Executive Director</i> Stephen John Roberts – <i>Independent Non-Executive Director</i>
	All of:
<b>Registered Office</b>	Elian Fiduciary Services (Cayman) Limited 89 Nexus Way Camana Bay Cayman Islands KY1-9007
<b>Nominated Adviser and Broker</b>	ZAI Corporate Finance Ltd 1 Hobhouse Court Suffolk Street London SW1Y 4HH
<b>Financial Adviser</b>	Growth Asia Capital Limited 223A Kensington High Street London W8 6SG
<b>Reporting Accountants</b>	Moore Stephens LLP 150 Aldersgate Street London EC1A 4AB
<b>Solicitors to the Company as to English Law</b>	Pinsent Masons LLP 30 Crown Place Earl Street London EC2A 4ES
<b>Solicitors to the Nominated Adviser and Broker</b>	Addleshaw Goddard LLP Milton Gate 60 Chiswell Street London EC1Y 4AG
<b>Solicitors to the Company as to Cayman Islands Law</b>	Ogier 11/F Central Tower 28 Queen's Road Central Central, Hong Kong
<b>Solicitors to the Company as to Hong Kong Law</b>	Pinsent Masons 50th Floor Central Plaza 18 Harbour Road Hong Kong

**Financial Public Relations**

Abchurch Communications Limited  
125 Old Broad Street  
London EC2N 1AR

**Registrar**

Computershare Investor Services (Cayman) Limited  
One Capital Place  
The R&H Trust Co Limited, Winward 1,  
Regatta Office Park, West Bay Road,  
Grand Cayman, KY1-1103

**Solicitors to the Company  
as to PRC Law**

Grandall Law Firm  
9th Floor, Taikang Financial Tower  
No. 38 North Road East Third Ring  
Chaoyang District  
Beijing 100026 China

**Depositary**

Computershare Investor Services PLC  
The Pavilions  
Bridgwater Road  
Bristol BS13 8AE

## DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

<b>“Active value-added Private Equity investment company”</b>	<p>a firm which seek to increase shareholder value by providing not only capital but also other services to investees such as:</p> <ul style="list-style-type: none"><li>• optimising business plans</li><li>• removing constraints on management</li><li>• bringing in operational expertise</li></ul>
<b>“Admission”</b>	<p>the admission of the entire issued and to be issued ordinary share capital of the Company to trading on AIM becoming effective in accordance with the AIM Rules for Companies</p>
<b>“AIM”</b>	<p>the market of that name operated by the London Stock Exchange</p>
<b>“AIM Rules”</b>	<p>the AIM Rules for Companies and the AIM Rules for Nominated Advisers, as published by London Stock Exchange from time to time</p>
<b>“Articles” or “Articles of Association”</b>	<p>the articles of association of the Company as further described in paragraph 4 of Part VI of this document</p>
<b>“Board” or “Directors”</b>	<p>the directors of the Company, whose names are set out on page 6 of this document</p>
<b>“Business Day”</b>	<p>any day on which London Stock Exchange is open for the transaction of business</p>
<b>“business incubator”</b>	<p>firms which are engaged in the business of fostering early-stage companies through the developmental phases until such time as the company has sufficient financial and physical resources to function on its own, such firms may provide assistance via any or all of the following methods:</p> <ol style="list-style-type: none"><li>(1) access to financial capital through relationships with financial partners;</li><li>(2) access to experienced business consultants and management level executives;</li><li>(3) access to physical space and business hardware and software; and</li><li>(4) access to information and research resources via relationships with local universities and government entities.</li></ol>
<b>“Company”, “Grand” or “Grand Group”</b>	<p>Grand Group Investment PLC, a company incorporated in the Cayman Islands with registered number 285708</p>

<b>“Companies Law” or “Law”</b>	the Companies Law (as amended) of the Cayman Islands
<b>“Corporate Governance Code”</b>	the UK Corporate Governance Code issued by the Financial Reporting Council
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 of the UK (SI2001/3755) as amended by the Companies Act 2006 (Consequential Amendments)(Uncertificated Securities) Order 2009 (SI 2009/1889)
<b>“Custodian”</b>	any custodian appointed by the Depositary
<b>“Deed Poll”</b>	the agreement between the Depositary and the DI Holders described in paragraph 16 of Part VI of this document
<b>“Depositary”</b>	Computershare Investor Services PLC
<b>“Depositary Interest” or “DI”</b>	a dematerialized depositary interest representing an entitlement to Ordinary Shares which may be traded through CREST in dematerialized form
<b>“DI Holders”</b>	holders of DIs
<b>“Disclosure Rules”</b>	the Disclosure and Transparency rules as set out in the FCA Handbook
<b>“Enlarged Share Capital”</b>	the enlarged share capital of the Company upon Admission, comprising the Existing Ordinary Shares and the Placing Shares
<b>“Existing Ordinary Shares”</b>	the Ordinary Shares in issue at the date of this document
<b>“FCA”</b>	the United Kingdom Financial Conduct Authority
<b>“FCA Handbook”</b>	the rules and guidance published by the FCA from time to time under the powers given to it by the Financial Services and Markets Act 2000
<b>“FSMA”</b>	UK Financial Services and Market Act 2000, as amended
<b>“Greater China Region”</b>	the People’s Republic of China, Taiwan and the Special Administrative Regions of Hong Kong and Macau
<b>“Growth Asia Capital (UK)”</b>	Growth Asia Capital Limited, a company incorporated and registered in England with registered number 6683233
<b>“Growth Asia Capital (BVI)”</b>	Growth Asia Capital Limited, a company incorporated in the BVI with registered number 1765981

<b>“Investing Policy”</b>	the strategy approved by the Board relating to investments, details of which are set out in Part III of this document
<b>“Lock-in Agreements”</b>	the conditional agreements dated 21 January 2015 pursuant to which the Locked-in Parties have undertaken not to dispose of interests in Ordinary Shares save in certain circumstances and described in paragraph 13 of Part I of this document
<b>“Locked-in Parties”</b>	the Directors, Grand International Investment Holding Limited, Chan’s Investment Strategy Overseas Holding Limited, Open Sesame Investment Strategy Limited, New Horizons Strategy Investment Co., Limited, Risingstar Capital Investment Co., Limited, Growth Asia Capital Limited, A Choice Holding Ltd, Even International Investment Holdings Co. Ltd., Wonder International Capital Ltd, Jiang Zhou and Boxuan Li
<b>“London Stock Exchange”</b>	London Stock Exchange PLC
<b>“Memorandum”</b>	the memorandum of association of the Company as amended from time to time
<b>“Net Asset Value”</b>	means the net asset value of the Company as calculated in accordance with the Company’s accounting policies
<b>“OCBC Bank”</b>	Overseas-Chinese Banking Corporation Limited
<b>“Official List”</b>	the official list of the United Kingdom Listing Authority
<b>“Orderly Marketing Agreements”</b>	the conditional agreements dated 21 January 2015 pursuant to which Hong Yang, Zeal Merger International Ltd and Good Profit Virtue Capital Ltd have agreed to certain restrictions on the disposal of their interests in Ordinary Shares
<b>“Ordinary Shares”</b>	ordinary shares of £0.00004 each in the capital of the Company
<b>“PE”</b>	private equity
<b>“Placees”</b>	subscribers for Placing Shares procured by ZAI on behalf of the Company pursuant to the Placing Agreement
<b>“Placing”</b>	the conditional placing by ZAI on behalf of the Company of the Placing Shares pursuant to the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 21 January 2015 between (i) ZAI, (ii) the Company and (iii) the Directors relating to the Placing, further details of which are set out in paragraph 8 of Part VI of this document
<b>“Placing Letters”</b>	the letters dated on or around 21 November 2014 pursuant to which the Placees have agreed to subscribe for the Placing Shares pursuant to the Placing, conditional upon Admission

<b>“Placing Price”</b>	£0.80 per Ordinary Share
<b>“Placing Shares”</b>	8,952,631 new Ordinary Shares to be issued at the Placing Price by the Company pursuant to the Placing
<b>“PRC” or “China”</b>	People’s Republic of China
<b>“Project 211”</b>	the term “211” refers to the 21st century and to the approximately 100 top universities in China. It is a Chinese Ministry of Education program set up to identify certain universities meeting scientific, technical and human resources standards
<b>“R&amp;D”</b>	Research and Development
<b>“Registered Office Services Agreement”</b>	the agreement entered into between the Registered Office Services Provider and the Company dated 19 March 2014, details of which are set out in paragraph 8 of Part VI of this document
<b>“Registered Office Services Provider”</b>	Elian Fiduciary Services (Cayman) Limited
<b>“Registrar”</b>	Computershare Investor Services (Cayman) Limited
<b>“RMB” or “Renminbi”</b>	the lawful currency from time to time of the PRC
<b>“Securities Act”</b>	the United States Securities Act 1933 as amended
<b>“Shareholders”</b>	holders of the Ordinary Shares from time to time and where the context admits, holders of Depositary Interests
<b>“Shenzhen Grand”</b>	Shenzhen Grand Culture and Technology Development Co., Ltd, a company incorporated under the laws of the PRC, with registration number 440301105178276 and ultimately beneficially owned by the founding shareholders of Grand
<b>“SME/SMEs”</b>	small and medium-sized enterprise/enterprises
<b>“SOE/SOEs”</b>	state owned enterprise/enterprises
<b>“Takeover Code”</b>	the City Code on Takeovers and Mergers issued from time to time by the Takeover Panel
<b>“Takeover Panel”</b>	the Panel on Takeovers and Mergers in the United Kingdom
<b>“TKK Society”</b>	initiated by a group of eminent scholars, including three Nobel Laureates, the Tan Kah Kee International Society was founded in 1992. The objective of the society is to promote education and educational initiatives, especially amongst the Chinese and overseas Chinese communities
<b>“UK Act”</b>	the UK Companies Act 2006, as amended
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland

<b>“UKLA” or “UK Listing Authority”</b>	the FCA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“US” or “United States”</b>	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
<b>“Victory”</b>	together, Victory Cayman, Victory HK, Victory WFOE and Victory China
<b>“Victory Cayman”</b>	Victory Education Investment Limited, a company incorporated in the Cayman Islands with registered number 286727
<b>“Victory China”</b>	Wuxi Victory Media & Culture Co., Ltd, a company incorporated under the laws of the PRC, with registration number 320206000195145
<b>“Victory HK”</b>	Victory Education Investment Holding Limited, a Company incorporated in the Special Administrative Region of Hong Kong with registration number 2066996
<b>“Victory WFOE”</b>	Weirui Culture Development (Wuxi) Co., Ltd, a company incorporated under the laws of the PRC with registration number 320200400038380
<b>“VIE Agreements”</b>	the variable interest equity agreements through which Grand holds its interest in Victory, as further described in Part II and on pages 64, 65 and 76-80 of this document.
<b>“Warrant Deed”</b>	the warrant deed between ZAI and the Company referred to at paragraph 8 of Part VI of this document
<b>“ZAI”</b>	ZAI Corporate Finance Limited, the Company’s nominated adviser and broker, authorised and regulated by the FCA
<b>“£” or “Sterling”</b>	Pounds sterling, the lawful currency of the United Kingdom
<b>“\$” or “US\$” or “Dollars”</b>	US Dollars, the lawful currency of the United States

## PLACING STATISTICS

Number of Existing Ordinary Shares	25,000,000
Number of Placing Shares	8,952,631
Number of Ordinary Shares in issue following Admission	33,952,631
Placing Shares as a percentage of the Enlarged Share Capital	26.4%
Placing Price in GBP	£0.80
Placing Price in RMB	RMB7.82
Agreed RMB to GBP conversion rate:	GBP1=RMB9.773662
Market capitalization of the Company at the Placing Price on Admission	£27.16 million
Unaudited net asset value per Ordinary Share as at 30 June 2014, adjusted for the estimated net proceeds of the Placing	£0.79
Estimated net proceeds of the Placing receivable by the Company	£6.04 million
ISIN (International Securities Identification Number)	KYG405631014
TIDM (Tradable Instrument Display Mnemonic)	GIPO

## EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	27 January 2015
Admission and commencement of dealings on AIM	8.00 a.m. on 27 January 2015
CREST stock accounts credited in respect of Placing Shares	27 January 2015
Definitive share certificates dispatched by	10 February 2015

## **PART I**

### **INFORMATION ON THE COMPANY**

#### **1. Introduction**

The Grand Group was founded in 2014 by Yang Xiao and other founding shareholders. The Company has been established for the purpose of identifying, acquiring and investing in small to medium-sized companies with high growth potential, principally operating in the People's Republic of China. Initially Mr Yang and other founding shareholders invested RMB196 million through their corporate vehicle Shenzhen Grand, into Victory, for a 33% equity stake. Further to the IPO reorganization, further details of which are set out in paragraph 6 of this Part I, Grand Group subsequently acquired Shenzhen Grand's interest in Victory.

The Directors believe that Grand represents an opportunity to gain exposure to one of the world's largest and fastest growing economies by making investments in small to medium-sized high growth companies operating principally in the Greater China Region. After more than a decade of significant economic growth in China, there are many companies, especially private equity investment companies, which offer institutions a vehicle by which they can gain exposure to the PRC, but the Directors believe that what sets Grand apart is its business model.

In conjunction with the Admission, the Company has conditionally raised £6.06 million net of expenses through a Placing of 8,952,631 Placing Shares with new investors, details of which are set out in paragraph 12 of this Part I.

The Directors consider that Admission will enhance the Company's profile in China and its ability to make investments by providing access to capital.

#### **2. Business Model Summary**

Grand Group, an investing company under the AIM Rules, primarily invests in established businesses with either technology or intellectual property which the Board believes will benefit from access to Grand's university research resources. A key component of that business model is the incubation of companies and management teams prior to investment.

On 9 May 2014, Grand entered into a strategic co-operation agreement with the TKK Society, which the Directors believe will give it access to a wide range of Chinese and international academic contacts and their associated research facilities. Further details of this agreement are set out in paragraph 8.1.10 of Part VI

The Board of Grand seeks to work closely with potential investee companies even before a financial investment is made, by entering into value-added services ("VAS") agreements some 6 to 12 months beforehand. During this period, Grand management will participate in the day-to-day management of the potential investee, and help shape its strategy as well as providing operational, marketing, commercial, financial and other business support. This approach to investing should give the Grand management a high level of exposure to potential investee companies before investment and thus enable it to avoid investing in targets which appear not, after an initial stage, to meet their investment criteria.

The Company intends to identify companies in growing business sectors, often in conjunction with members of the TKK Society. The Company aims to develop its investment opportunities in the identified sectors through cooperation with these partners.

The Directors believe that Grand has the potential to become a successful private equity fund by focusing on the added value it can bring to investees via technology and intellectual property commercialisation know-how and the development and implementation of technological innovations with its partners.

In a similar manner to incubators in the high-tech sector, Grand Group has the ability to bring more than just investment capital to investment opportunities. Grand intends to invest at a much later stage than one might expect to see in a technology incubator business model. Whereas incubators often start with very new intellectual property, often working directly with scientists or laboratories that have made new discoveries, Grand seeks only to make a financial commitment once the developing entrepreneur has already established a viable business.

Given the combination of VAS and financial know-how that Grand can bring, the Directors believe that they can shorten the time period between when the Company makes an investment and when it can show a realisation event or partial exit.

### **3. Investing Policy summary**

The Company's investing policy is set out in detail in Part III of this document. The Company will seek to identify potential investee companies where its access to research, technology and university support can have a positive effect on the investee companies. Other highlights of the policy include:

- Geographic focus: Greater China
- Returns to be generated primarily through capital appreciation
- Investment size £3m-£50m per investee
- Targeted IRR: 20 per cent.
- Dividend policy: dividends of up to 20 per cent. of net profits may also be payable from time to time insofar as sufficient cash is available from investment realisations. The Directors will consider payment of such dividends on an annual basis
- The Company will actively raise additional funds
- The Company intends to operate in perpetuity
- Investment style: active investor

Executive management are all cash investors in the Company, via Shenzhen Grand's original investment in Victory, and take no other carried interest in the Company.

### **4. The TKK Society**

The Tan Kah Kee Foundation is named after and was initially founded and funded by the family of Mr Tan Kah Kee, a Chinese entrepreneur, philanthropist and leader of overseas Chinese communities. Mr Tan Kah Kee founded several educational establishments in China and Southeast Asia, predominantly in Fujian, including Xiamen University, the first university founded by an overseas-based Chinese individual in the history of China's modern education system and Jimei University. Mr Tan Kah Kee also founded the Hong Kong Chiyu Bank and co-founded OCBC Bank, Singapore's second largest bank (by total assets).

The TKK Foundation was set up in 1982 to carry on charitable work and to foster Mr Tan Kah Kee's beliefs in entrepreneurship and education.

Subsequently the TKK Society was founded in 1992 by several world-renowned scholars, including Nobel Prize winners Prof. Yang Zhenning, Prof. Ding Zhaozhong, Prof. Li Yuanzhe, Prof. Tian Changlin (former chancellor of the University of California, Berkeley) and Prof. Wang Gengwu, Chairman of the East Asian Institute, National University of Singapore, and former vice-chancellor of the University of Hong Kong. It aims to promote the ideas of Tan Kah Kee. Apart from promoting educational and scientific activities, the TKK Society also promotes research and development assisting in the establishment of an international network of educational and economic cooperation. Many of its members and affiliates are well-known international and local universities and professors, government

and business leaders in South East Asia (including Robert Kuok, Zhuang Yanlin and Lucio Tan). The TKK Society has also fostered and maintained a broad network of contacts with individuals at local and international higher education institutions, including:

**Jiangnan University (China)** – light industry technology, design, automation, computer science, Internet of Things projects, food science, engineering

**Xiamen University (China)** – marine science, statistics, ethnology, business administration

**Jimei University (China)** – automotive, logistics (more focused on maritime related logistic services), fisheries, vocational education teacher training, human resources

**NanYang Technological University (Singapore)** – engineering, science, business administration, nano-materials, bio-materials, functional ceramics, polymers

**University of California, Berkeley (Tan Kah Kee Hall)** – computer science, mathematics, physics

**National University of Singapore** – engineering, materials sciences, biomedicine, technology, social science

**University of Hong Kong** – architecture, applied chemistry, law

**Oxford Brookes University (UK)** – business management/accounting, hotel management

**Keuka College New York State (USA)**

**University of Greenwich** – (UK) – architecture, computing, machinery engineering, pharmacy, land and property management, town planning, landscaping.

Amongst these universities, Grand has already established effective relationships with Jiangnan University and Jimei University for its current projects and the Directors believe that similar relationships can be developed with other universities.

### **Jiangnan University**

With a history of over 100 years, Jiangnan University was developed from the Sanjiang Normal School, founded in 1902. The University is a higher education institution administered directly by the Ministry of Education of China. It is one of the key universities included in Project 211 and is also admitted by the “985 Advantaged Subject Innovation Platform”. There are 112 officially recognized key universities included in Project 211 and 33 universities admitted in the “985 Advantaged Subject Innovation Platform”, in respect of 34 subjects. Jiangnan University is the only one admitted on the subject of food processing and safety control.

Jiangnan University is well known in 15 national-level disciplines, namely animation, food science and technology, biological engineering, industrial design, textile engineering, art and design, automation, chemical engineering and technology, pharmaceutical engineering, polymer materials and engineering, computer science and technology, environmental engineering, fashion design and engineering, biotechnology and Internet of Things projects. The B.Sc. in food science and technology ranked No. 1 in China in 2012 and is recognized by the Institute of Food Technologists as meeting their Undergraduate Education Standards for Degrees in Food Science. The B.Sc in light industry, technology and engineering is also in the top rank in China.

Jiangnan University is the first university in China to set up an Internet of Things School and is the leader nationwide in the Internet of Things field.

The School of Design has won 41 German Red Dot Concept Awards, nine German iF Concept Awards and several American IDEA design awards. It became one of the few Chinese institutions to have ever won the world’s three leading design awards.

## **Jimei University**

Jimei University ranks No. 3 in China out of all marine navigation institutions and is well known in 4 national-level disciplines: marine navigation engineering, public finance, navigation technology and aquaculture.

Jimei University has a Research Centre for Modern Logistics. In 2003, Jimei University was approved by the Ministry of Education to be a Vocational Educational Teacher Training Base, and so can provide effective human resources of both technicians and technician teachers.

Jimei School of Biotechnology specialises in agriculture, forestry, animal aquaculture and fishery.

In 2013 and the first quarter of 2014, Chinese industries attracted active PE investment in such industries as: manufacturing, IT, real estate, healthcare, energy and mining, the Internet, telecommunications, forestry, animal husbandry and fishery, culture & media and chain operations. The Directors believe that the specific disciplines of the two cooperating universities conform to the future direction of the Company's investment strategy and their related technology resources can provide technical support to the Company's current and future investment targets.

### **4.1. Grand's Agreements with Partners**

On 9 May 2014, the Company, the TKK Society and Mr. Yang Xiao entered into a strategic cooperation agreement further details of which are set out in paragraph 8 of Part VI of this document (the "Strategic Cooperation Agreement"). Under the agreement, the TKK Society has agreed to provide the Company with support on technology industrialization, financial resources, market development, personnel, and fund raising.

Grand Group has also entered into a co-operation agreement with Jimei University Education Development Foundation. Mr. Yang Xiao has agreed to donate part of any dividend from shares he holds in Grand Group to fund the expenses of Jimei University.

### **4.2. Support from the Chinese Ministry of Education**

The Vocational Education and Adult Education divisions of the Ministry of Education in China have encouraged Grand to participate in the development of educational undertakings such as encouraging the supply of private capital for education and vocational training.

## **5. Added Value Services**

The Directors believe that Grand has the ability to bring many aspects of "added value" services which are specific to the Chinese environment, and which are often, if not always, needed by early-stage businesses or SMEs in the PRC, including:

- introducing university research teams to upgrade production including introducing the university to set up industrial technology research centers within the target company or providing product upgrades and R&D support;
- removing constraints on management;
- helping recruit senior management;
- providing strategic guidance for the investee's overall management improvement, including development plans, organisational structure and financial management;
- introducing external resources including communicating programmes with government relationships to obtain industrial authorisations, certifications, third-party organisations, associations, media and consulting firms;
- enhancing contacts with potential customers and suppliers;
- providing operational expertise;

- providing capital to further grow businesses at pre-IPO stage; and
- providing financial advisory services (including dealing with industry regulators, banks, IPO preparation, and help for the investee in fundraising, M&A, etc.)

The Company primarily targets companies operating in markets and sectors that the Directors believe to have strong growth potential.

## **6. Existing Investment: Victory**

Grand acquired a 33 per cent. stake in Victory from Shenzhen Grand upon completion of the pre-IPO reorganization steps, which interest derives from an investment of RMB 196 million in cash by Shenzhen Grand. As at 30 June 2014, the fair value of the Company's investment remains RMB 196 million. The Directors understand that Victory is targeting a flotation within the next two years. Details of Victory are set out in Part II of this document.

## **7. Visibility of the Investment Pipeline**

### **7.1. Fujian Xinya Group Co., Ltd. ("Xinya")**

This company was introduced to Grand by OCBC through the TKK Society and Grand has entered into an agreement with Lion Global Investors, an OCBC controlled fund manager, giving it the opportunity, but not the obligation to invest in Xinya. Further details of this agreement are set out in paragraph 8 of Part VI of this document.

Xinya is a leading supply chain, "Internet of Things" or "IOT" enterprise which provides internet supply chain information and services for e-commerce platforms for foreign and domestic brands. Internet of Things, also known as Cloud of Things refers to the interconnection of uniquely identifiable embedded computing like devices with the existing internet infrastructure. Typically, IOT is expected to offer advanced connectivity of devices, systems and services that goes beyond machine-to-machine communications and covers a variety of protocols, domains, and applications. The interconnection of embedded devices (including smart objects), is expected to usher in automation in nearly all fields, while also enabling advanced applications.

Using their self-developed order management system and warehouse management system, Xinya provides customers with information and services for supply chain management (online and offline), such as order processing, product design, warehousing, customs clearance and distribution.

As the scale of the e-commerce industry grows, it increasingly requires detailed design, order management and warehousing; the larger the goods flow, the more design, management and warehousing it requires. Xinya is currently the warehousing partner of Taobao, Jingdong, Vancl and other relevant e-commerce platforms in Fujian and is becoming increasingly important through their development. Xinya has plans for a flotation.

Unaudited financial data:

- Revenue: 2013 RMB 1.87bn (2012: RMB 1.4bn); and
- Net profit: 2013 RMB 193m (2012: RMB 146m).

Jiangnan University has provided support from its subordinate colleges, including the College of Mechanics, the College of the Internet of Things, the College of Design, the College of New Materials, the College of Computer Science, and the College of Automation, for the R&D of Internet of Things technology for Xinya. Xinya is preparing to industrialise this technology at a more mature stage. Xinya also cooperates with Jiangnan University in other areas including the design of light industrial products (such as shoes), R&D of Xinya's products, equipment manufacturing and industrialisation of scientific achievements.

Xinya, Jiangnan University and the TKK Society have also entered into an agreement to set up a Light Industry Institution to develop technologies including packaging, the Internet of Things, light industry machinery, design and materials.

## **7.2. Prospect A**

Prospect A is a company which focuses on tea culture, and R&D in the cultivation and the detection of pollutants in tea, quality inspection and quality control of tea, and the packaging of tea products. Prospect A handles eight domestic varieties of tea and has contributed to the promotion and development of the tea industry and culture in China.

Prospect A has three broad strategic lines of development:

- utilisation of its quality detection, pollution control, and correction techniques and technology to develop higher quality local teas;
- development and adaptation of modern packaging, branding and distribution techniques to traditional Chinese teas; and
- developing a national chain of high quality cafes specialized in tea from their initial base of 7 tea houses and shops.

Grand Group and TKK established an initial relationship in May 2014, and have already assisted the company by introducing them to a leading university specialising in food safety, with which Prospect A has entered into a cooperation agreement, allowing Prospect A to apply leading food safety inspection technology in order to achieve efficient quality control, ensuring the safety of its tea products. The university's design center is also assisting with the design of its packaging technologies, allowing Prospect A to develop tea bags which are safer and lower cost, and that maintain its tea products for a longer "quality guarantee" period.

Prospect A has established the leading tea product testing standard in China. The standard will promote large scale development of high-tech, high standard, non-polluted tea products.

In 2013, unaudited turnover of Prospect A was RMB 60M, with a net profit of RMB 20M.

## **7.3. Film, Television and Art College**

Grand is also in discussions with a Film, Television and Art college, the profile of which is set out below. There is no VAS agreement in place with this target, and there can be no assurances of any kind that the Company will ultimately be able to agree terms or close an investment.

The college was established in 2003 and is included in the following lists and groups: China's Top Ten New Colleges; Top Ten Best-Known Private Colleges; the Innovative Media Education & Training Institutions; the National Advanced Moral Education Institution; the China Radio and Television Association of Media Education Demonstration Centre; and the Promotion Centre of China's Association for Dance Education Authority Research. It is the only private college in its province, and already has enrollment of over 4,000 students.

The college provides more than 30 art and other courses which can be categorised under the following:

- *Performing Arts* – musicals, performance, digital music, pop music & dance etc.;
- *Media Arts* – broadcasting and hosting, news gathering and editing, filming & photography, advertising etc.;
- *Cabin Crew Training* – flight crew training, high-speed rail crew training etc.;
- *Movie and Comics* – comics design and editing etc.; and
- *Art Design* – fashion design, advertisement design, decoration design, jewelry design and appraisal etc.

**8. Trading update**

During the past 6 months, the Company continued to develop its pipeline of prospects, and the Directors are pleased that the Company’s business model is operating smoothly. As a new investment company, Grand’s trading is dominated by expenses until investments are exited or dividends received. For the 6 month period to December 2014, expenses were dominated by the IPO process during which significant non-recurring costs were incurred. Grand owns a 33.3% interest in Victory, and a summary of Victory’s details, including a current trading update, are set out in Part II of this document.

**9. The Market**

**9.1. China**

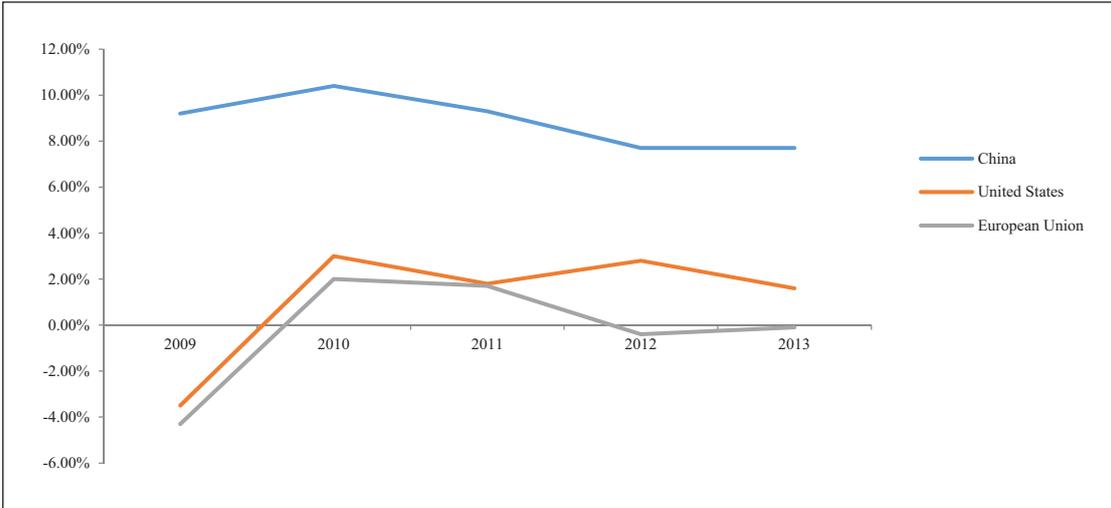
*Economic Overview of China*

China has a dynamic, predominantly export driven economy which is moving towards more of a domestic consumption model. In the past three decades, China has experienced very strong growth, shifting from a centrally planned to a more market based economy. The Chinese economy surpassed Japan and has been the second largest economy in the world behind the United States since 2010. China has a large investment economy which provides huge market potential, abundant labour resources and comparative advantage in labour cost, sound and steady government and society. Gross domestic product for the Chinese economy stood at US\$9.31 trillion in 2013. China’s foreign reserves amount to US\$3.82 trillion, which is equivalent to 41 per cent. of total GDP, the largest such ratio in the world.

*Economic Outlook for China*

China has achieved a period of rapid growth and is the largest contributor to global economic growth.

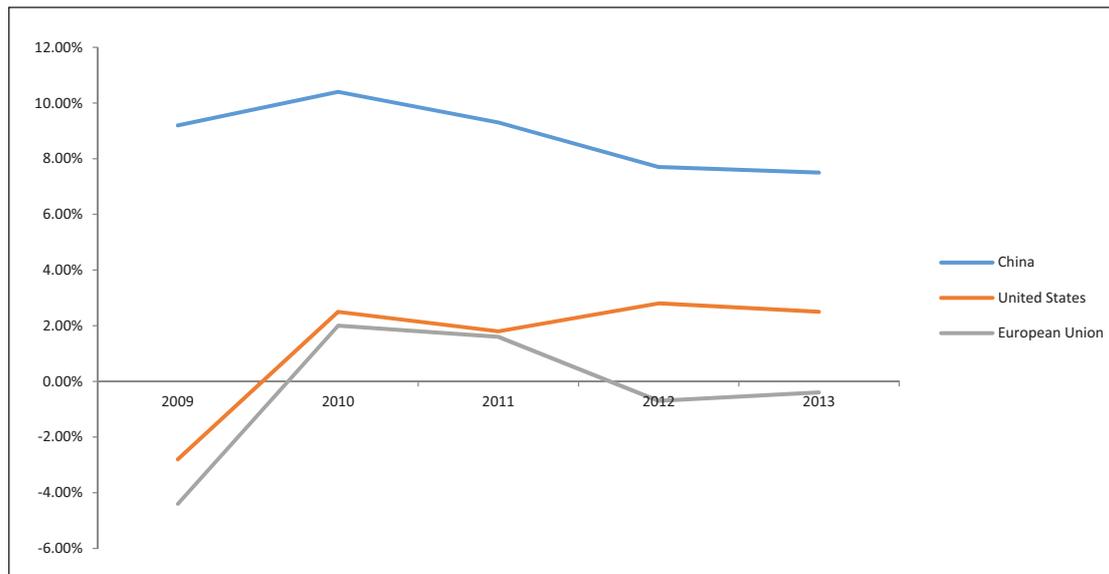
**Growth of World Output, Annual Percentage Change, 2009-2013**



Source: World Economic Situation and Prospects 2014

Despite the recent slowdown, the growth rate in China is still considerably higher than those in other developed and mature markets such as the European Union and the United States. The reasons that China’s growth has slowed down are primarily policy tightening, affecting the property market and infrastructure investment. The Chinese government is likely to fine-tune its policy tightening and the pace of reform. The IMF forecasts for China’s GDP growth in 2014 and 2015 are 7.50 per cent. and 7.30 per cent. respectively. This suggests that although there will be policy tightening to tackle rising CPI inflation and housing prices, and reducing the financial risks that stem from rapid credit expansion, the estimate is based largely on the expectation that policy is likely to be more supportive of growth.

### Historic and Projected GDP Growth Rate, 2009-2013



Source: Bloomberg

The current growth model, and policy underlying it, has predominantly been focused on exports and investment, with little emphasis on private consumption. However, China has started to adjust its economic policies to better promote sustainable growth. In particular, the Government has highlighted its intention to:

- undertake more banking reforms and encourage banks to provide finance to rural areas and smaller firms;
- develop the capital markets to give small to medium enterprises more opportunity to raise finance;
- engage in deeper reform of the insurance sector; and
- provide a sounder regulatory structure.

Following China's accession to the World Trade Organisation in 2001, the economy has started to open up and the Government intends to pursue further liberalisation. The private sector, made up of domestic and foreign-funded interests, is being encouraged to expand and complement the state sector.

#### **The Opportunity for Grand**

The Directors believe that the current economic and political environment in China gives rise to an attractive opportunity for the Company. In particular, the Directors have identified a number of factors which have created an investment opportunity for the Company, including:

- the evolving regulatory structure of industries in China creating opportunities for first mover advantage to achieve strong market positions in a fast growing economy;
- the transfer of control and ownership from state to private enterprises; and
- the opportunity to capitalise on inefficiencies and to establish market leading positions through knowledge and technology transfer.

## **9.2. The SME sector in China**

Most SMEs in China have only been allowed to develop in the last 15 years. With the opening up of China to market economy ideas in the 1980s, as part of the market-oriented reforms initiated by Chinese leader Deng Xiaoping, private SMEs were finally recognised as vital to the country's economic development. The ensuing economic reforms involved the encouragement of SOEs to rapidly change into small and medium non-SOEs, up until the end of 2004. Meanwhile, more SMEs emerged, spurred by the implementation of non-SOE promotion policies. Since then, urban collective enterprises, town and village enterprises, alongside the private and self-employment sector, have emerged across China.

The development of SMEs has increasingly contributed to China's economic growth. They make up over 99 per cent. of all enterprises in China by the end of Q3 2013. The output value of SMEs accounts for at least 60 per cent. of the country's gross domestic product, generating more than 82 per cent. of employment opportunities in China.

68.58 per cent. of SMEs are located in the eastern area of China, 20.14 per cent. in mid China and 11.28 per cent. in western China. Small enterprises in the top five provinces make up 48.4 per cent. of all SMEs. These provinces are all located in the eastern area of China, namely Jiangsu, Zhejiang, Guangdong, Shanghai, and Shandong. They account for 11.6 per cent., 10.4 per cent., 9.9 per cent., 8.9 per cent., and 7.6 per cent. of all SMEs, respectively.

By industry distribution, the manufacturing industry accounts for 52.8 per cent. of SMEs, followed by the wholesale and retail industries (35.2 per cent.); construction (4.6 per cent.); and transportation and storage (2.6 per cent.).

The growth rate in the number of Chinese SME sector has logically been slowing down in recent years, after 30 years of rapid growth. Problems encountered by Chinese SMEs include weak linkage with external markets, weak technological innovation, and inadequate financial support.

SMEs have however become a major force in pushing forward China's science and technology innovation. SMEs account for 65 per cent. of the country's patented invention, 75 per cent. of corporate innovations and 80 per cent. of new product developments. The Directors believe that it is essential for SMEs to improve technological innovation and strengthen linkage with external resources to become better able to withstand risks and adapt to the changing economy in China.

Grand Group's focus on the SME sector ensures it will have a large and fertile market in which to invest.

## **9.3. Chinese technology development and commercialisation – a new national strategy**

As a response to the market-orientated reforms, China's centrally-planned science & technology administration began to adopt market-oriented mechanisms in the early 1980s. Universities were encouraged to narrow the gap between China's economy and other high-technology producing countries. One of their missions was to focus on the commercial application of completed R&D and on the commercialisation of market-orientated technologies that would benefit business quickly.

Under State direction, universities, colleges and research institutes were the key forces not only employed to conduct R&D projects but also engaged in the technology diffusion, commercialisation and industrialisation of research. After two decades of evolution, Chinese universities were introducing market mechanisms and converting their research centres into corporations. A national network of innovation and technology diffusion systems which is influenced by market and non-market institutions, has consequently been formed after a transition period of over two decades. The network includes private firms, universities, government institutions and educational associations.

China has achieved both remarkably fast and generally stable rates of economic growth in the past 20 years. As a developing country that has experienced rapid economic growth, China has been successful in rapidly absorbing and disseminating the advanced technologies and capital of more technically advanced countries. The next step it wishes to take is to begin to develop home grown technology.

Chinese universities and research institutes account for approximately 70 per cent. of all R&D carried out in China and are major actors and key components of China's rapidly increasing knowledge resources. China's new science and technology strategy, aimed at serving the economic growth of the country, has reinforced the propensity for the corporate development of universities. The economic need is to bring together the technological strength already developed within the universities with the opportunity seeking, flexible, entrepreneurial skills that characterise the traditional Chinese model of doing business. In this new strategy universities are often eager to set up technological research departments, or centres of industrialisation and industrial-academic research, to support cooperative businesses.

#### **9.4. The PE investment business in China – recent relevant trends and their significance to the Grand business model**

Much has been written about the Chinese PE industry, most of which is available on the internet, and it is beyond the scope of this document to provide the investor with a thorough study of the entire PE industry in China. Suffice it to say that the industry is large, and the Company will face many well-funded competitors.

The rapid growth of China SMEs has brought great opportunities since the 1980s for the Chinese PE industry. The Chinese PE market has been historically characterised by short term, low risk & high return investments, as a result of which Chinese PE firms have no incentive to develop value-added services, or to worry about medium to long term development.

According to Zero2IPO's 2013 China VC/PE Firms' Value-added Services Report, private equity firms in China need to build management systems based on value-added services.

By the end of 2012, there were more than 6,000 private equity (PE) investment firms in China.

After 15-20 years of growth, in 2012-2013 China's PE market began to witness its first general decline, which can be seen by the decline of major PE metrics: fundraising, investment and exits.

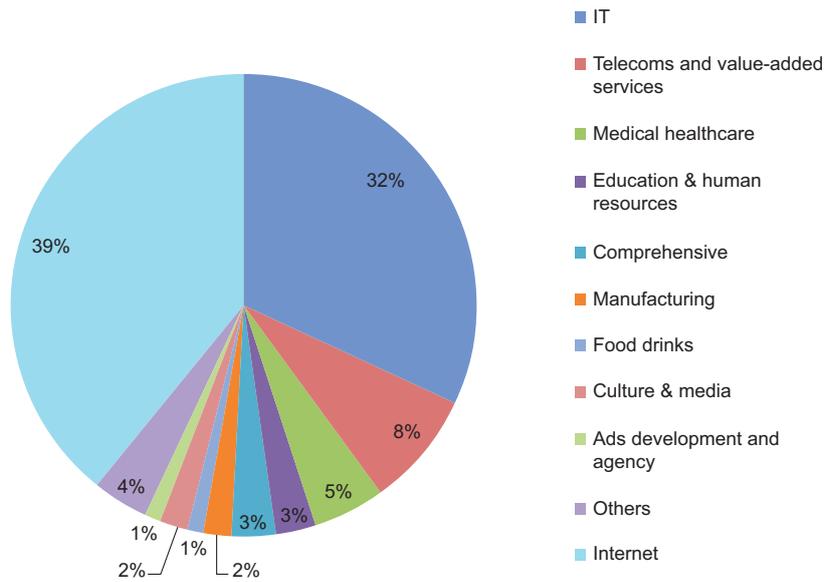
A large number of Chinese PE firms have invested in many businesses since the start of the PE market in China, but have yet to manage successful exits from these projects. According to the statistics from Zero2IPO Research, between 2006 and 2012, VC/PE firms made 13,728 investments, with only 2,336 exits.

The 2013 China VC/PE Firms' Value-added Services Report states that VC/PE companies have begun to play the role of an "active investor", but few of the existing players, the Directors believe, are properly equipped to do so. Traditional Chinese PE firms normally only provide value-added services during the post-investment period, helping investee companies solve financial problems and achieve capital appreciation.

In this respect, as set out in section 2 above, the Directors believe Grand is well-placed to meet the competition, as it provides value-added services in the pre-investment period as well as the post-investment period.

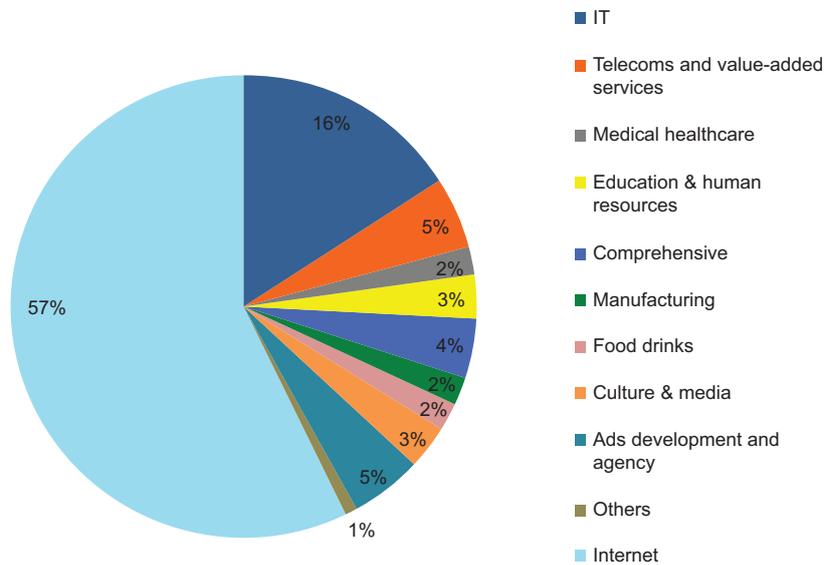
A profile of the current state of the Chinese PE market is set out below. Figure 1 shows the sector breakdown of current PE investments, and Figure 2 shows the sector breakdown by size of investments, both as of Q1 2014.

**Figure 1: Breakdown of Chinese VC Investments by Number of Investments by sector 2014 Q1**



Source: www.ChinaVenture.com.cn

**Figure 2: Breakdown of Chinese VC Investments by Amount Invested by Sector in 2014 Q1**



Source: www.ChinaVenture.com.cn

## 10. Directors

### Mr Yang Xiao, aged 50, Executive Director

Mr Yang initiated Grand's focus on the SME technology innovation PE fund, backed by his strong relationships with the TKK Society and its network. Mr Yang has worked in media and the brand marketing industry for over 25 years during which period he successfully completed a series of

marketing strategies for Chinese SMEs, many of which are listed on international stock markets. He was also in charge of a number of business, financial and political TV programs. During his time with Chinese SMEs and politicians, Mr Yang developed an in-depth understanding of their importance to China's economy, their potential and their constraints to growth. He has also established strong relationships with entrepreneurs and high net worth individuals.

Mr Yang has experience of investing in the media and culture sectors. Mr Yang planned the "Evening Fashion Show Club" in Shenzhen in 2012 which is an up-market social club for high net worth individuals and entrepreneurs in the area. Mr Yang introduced Grand's first investment project, Victory, details of which are set out in Part II of this document. Mr Yang has committed a significant amount of his resources to Grand.

**Mr Zhou Jiang, aged 43, Executive Director**

Mr Zhou is currently Chief Secretary of the TTK Society (China), Director of the TTK innovation fund of Jiangnan University, Director of the Institute of Light Industry of Jiangnan University (joint funded by the Xinya Group), a director of Victory Cayman and a director of Great International Wealth & Wisdom Holding Limited. Mr Zhou previously headed up the China Project Group of Lion Global Investors Limited. Before Mr Zhou joined the TTK Society he worked in the marketing and advertising industry in China for over 10 years. He was in charge of a series of business cooperation with international brands including Pierre Cardin, Apple, Coca-Cola and Wuxi government associated business brands including TianJiao.

Mr Zhou has a Master's Degree from the Nanjing University Philosophy Faculty and is now chief counsellor of the China Zhou Dunyi Seminar. He has brought strong external resources including university technologies and government contacts to Grand's investee companies. Mr Zhou is also responsible for the identification of target investee and pipeline companies and liaising with universities associated with the TTK Society to help potential investee companies establish their R&D function.

**Mr Li Chuang, aged 28, Executive Director**

Mr Li is the Executive Director of New Horizons Strategy Investment Co., Limited and a member of the TTK International Society. Previously, he was investment project manager at Lion Global Investors Limited. Lion Global Investors Limited is a subsidiary investment fund management firm of OCBC Bank which represents certain of OCBC's investments in the Greater China Region. Mr Li has experience in private investment and fundraising for large scale projects in cultural education, new material, new energy, TMT, IT engineering, technology industrialization and technology incubation in China. Mr Li has completed a number of large scale private investment projects as chief investment project manager including: Ruiyun Cloud Computing R&D and Construction Co., Ltd, ENN Group, Fortune Media (Group) Culture Development Co., Ltd. and an O2O Company.

**Ms Gu Yingying, aged 32, Executive Director**

With experience in investment and investment banking, particularly on TMT, culture, education and agriculture, Ms Gu has been involved in a series of investment projects with the Tan family in the education sector in China. Significant investment projects include the first Sino-foreign cooperative education project, the Jimei University Chenyi College, and establishing one of China's first online education websites ([www.chinaedu.net](http://www.chinaedu.net)). She is also a director at Risingstar Capital Investment Co., Limited, where she was involved in various investments and was in charge of the CITIC Rising Star tourist property investment project in collaboration with CITIC.

For the Company, Ms Gu will be responsible for coordination and liaison with various elements of the TTK network, as well as sourcing investment opportunities for the Company in line with the investing policy.

She attended South China Normal University and studied at US Universities. She speaks and writes Mandarin, Cantonese and some English.

**James Newman, aged 58, non-executive Chairman**

Mr Newman's 30 year career in finance has been focused on Asia generally and China in particular. He started out in commercial lending, and later worked in investment banking and investment management with Citigroup and, most recently, as head of Global Equities at Alliance Trust. During his career Mr Newman has analysed, invested in, provided loans to or advised numerous Chinese companies from a wide variety of sectors. Now based in the UK, he lived in Mainland China, Taiwan and Hong Kong for 16 years, and speaks Mandarin Chinese.

**Mark Hemmann, aged 44, non-executive Director**

Mr Hemmann is a private equity, banking and finance executive with a broad background in capital markets, Chinese companies, aviation, leasing, and operations garnered over the past 16 years. In addition to his current position as an independent director with Grand Group, he currently is leveraging his broad experience in China and along with Shanghai's Southwind Equity Management Company, has founded one of China's first distressed asset funds, China Special Situations Fund I. Mr Hemmann has invested in Chinese firms and assisted them in finding funding in the US capital markets with the goal of listing them on NASDAQ. He spent more than five years at WestLB Bank as a Director of Capital Markets where he was responsible for originating, syndicating, and structuring deals across a variety of asset classes for public and private companies, including certain distressed assets. Prior to banking, Mr Hemmann held a number of positions spanning most aspects of finance and leasing.

Mr Hemmann earned both his M.B.A and M.A. from The George Washington University in Washington, DC, studied at Philipps Universität in Marburg, Germany, and received his B.A. in International Relations from Pomona College in Claremont, CA. He maintains speaking, reading and writing proficiency in German and a conversational knowledge of Mandarin Chinese, and has lectured on various subjects at major universities and conferences in the US and China.

**Stephen John Roberts, (aged 62), Non-Executive Director**

After graduating with a Master's Degree in Economics from the University of Wales, Mr Roberts spent his early career in venture capital before leaving County Natwest in 1987 to focus on the public markets with Midland Bank which was later acquired by HSBC.

After 10 years of acting as adviser and broker to numerous public companies, he left to join Charterhouse Securities as a director in 1996. In 2000 he joined Collins Stewart, before becoming Head of Corporate Finance at Evolution Securities in 2004. He was later to become Head of Corporate Finance at Fairfax and Daniel Stewart.

Throughout his career in stockbroking, Mr Roberts specialised in the provision of corporate finance advice to smaller companies in the public markets acting in numerous initial public offerings, reverse takeovers and equity fundraisings.

The Directors are confident that their combined skills and experience of SMEs, their knowledge and broad experience of the Chinese market, investment management, project finance and marketing and their contacts at universities, within the TKK Network, local government and personal networks will make them well suited to implement the Company's Investing Policy.

**11. Application of the Takeover Code**

Even though the Ordinary Shares will be admitted to trading on AIM, the Takeover Code will not apply to the Company given that the Company's registered office is in the Cayman Islands. As a result, neither a takeover of the Company nor certain stakebuilding activities would be governed by the Takeover Code. However, the Directors have incorporated various Takeover Code provisions into the Articles which seek to replicate certain equivalent provisions of Rule 9 the Takeover Code. Further details of these provisions are set out in paragraph 4 of Part VI of this document.

If a Shareholder (or person acting in concert with such Shareholder) acquires an interest in shares (as defined in the Takeover Code) whether by a single transaction or a series of transactions over a period of time which, when taken together with any interest in shares in the capital of the Company already held by him or any interest in shares in the capital of the Company held or acquired by persons acting in concert with him, in aggregate carries 30 per cent. or more of the voting rights of the Company, that Shareholder is normally required to make a general offer to all the remaining Shareholders to acquire their shares in the capital of the Company.

Similarly, when any Shareholder, together with persons acting in concert with him, is interested in shares in the capital of the Company, which, in aggregate, carry not less than 30 per cent. of the voting rights of the Company but does not hold shares in the capital of the Company carrying more than 50 per cent. of such voting rights, a general offer will normally be required to be made by such shareholder if any further interests in shares are acquired by any such person. Such an offer must be in cash or be accompanied by a cash alternative and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the Company during the 12 months prior to the date when such offer should have been announced.

## **12. Placing**

Under the Placing, 8,952,631 new Ordinary Shares have been conditionally placed by ZAI at the Placing Price, representing 26.4 per cent. of the Enlarged Share Capital. The Placing is conditional, *inter alia*, upon Admission. It is anticipated that the Placing, which is not being underwritten or guaranteed, will raise £7.1 million for the Company and £6.06 million net of expenses. At the Placing Price, the Company will have a market capitalisation of £27.16 million on Admission.

## **13. Lock-in and Orderly Marketing Arrangements**

The Locked-In Parties have undertaken not to dispose of any interest in Ordinary Shares held or acquired by them at Admission or at any time before the first anniversary of Admission, for a minimum period of twelve months following Admission, except in the very limited circumstances allowed by the AIM Rules and for a further 6 months thereafter, have also agreed that any disposal of any interest in Ordinary Shares will be subject to certain restrictions aimed at maintaining an orderly market in the Ordinary Shares. Hong Yang, Zeal Merger International Ltd and Good Profit Virtue Capital Limited have each agreed that any disposal of any interest in Ordinary Shares will be subject to certain restrictions aimed at maintaining an orderly market in the Ordinary Shares for a period of 18 months from Admission. Further details of these arrangements are set out in paragraph 8 of Part VI of this document.

## **14. Borrowings**

The Board does not intend to use borrowings to fund investments or early stage assets, although debt may be raised in the future to fund the development of such assets.

## **15. CREST and Depositary Interests**

Application will be made to the London Stock Exchange for the Enlarged Issued Share Capital to be admitted to trading on AIM. It is expected that Admission will be effective and that dealings in the Enlarged Issued Share Capital will commence on 27 January 2015.

Generally, the securities of companies not incorporated in the UK, Republic of Ireland, the Isle of Man, Jersey and Guernsey, such as the Company, cannot be held or transferred in CREST, a computerised paperless share transfer and settlement system. However, to enable investors to settle trades in such securities through CREST, a depositary or custodian can hold the relevant securities of companies not incorporated in the UK, Republic of Ireland, the Isle of Man, Jersey and Guernsey under a trust arrangement and issue Depositary Interests representing the underlying securities. The Articles permit the operation of a depositary interest facility. CREST is a voluntary system and persons who wish to hold Ordinary Shares in registered form will be able to do so.

The Company in conjunction with Computershare Investor Services PLC, has established a facility whereby Depositary Interests representing Ordinary Shares can be issued to persons who wish to hold Depositary Interests instead of Ordinary Shares. Application has been made for the Depositary Interests to be admitted to CREST with effect from Admission. Accordingly, subject to the settlement of the Depositary Interests for trading in CREST, settlement of transactions in Depositary Interests representing the Ordinary Shares following Admission may take place within the CREST system. Depositary Interests will have the same international security identification number (ISIN) as the underlying Ordinary Shares and will not require a separate application for admission to trading on AIM.

If CREST members wish to avail themselves of the depositary arrangements, they can do so by inputting a stock deposit in the usual way. The Company has informed Euroclear that (i) a CREST transfer form lodged as a stock deposit will be deemed to constitute a transfer of the Ordinary Shares to the Depositary who will issue corresponding Depositary Interests in CREST to the depositing members/transferees and (ii) in a similar way, a stock withdrawal will be deemed to constitute an instruction to the Depositary to cancel the Depositary Interests and effect a transfer of the Ordinary Shares to the person specified in the instruction. Shareholders who wish to do so may withdraw their shares into certificated form at any time using standard CREST messages. Your attention is drawn to the sections on stamp duty/stamp duty reserve tax set out in paragraph 15 of Part VI of this document.

Trading in Depositary Interests on AIM will require Shareholders to deal through a stockbroker or other intermediary who is a member of the London Stock Exchange.

Further details relating to settlement and CREST are set out in paragraph 16 of Part VI of this document.

## **16. Corporate Governance**

There is no applicable regime of corporate governance to which directors of a Cayman Islands company must adhere over and above the general fiduciary duties and duties of care, diligence and skill imposed on such directors under Cayman Islands law. However, the Directors recognize the importance of sound corporate governance and will take appropriate measures to ensure that the Company complies with the main provisions of the UK Corporate Governance Code, as far as practicable and to the extent appropriate given the Company's size, assets, liabilities and other relevant information.

The Company has adopted a model code for share dealings in Ordinary Shares which is appropriate for an AIM company, including compliance with Rule 21 of the AIM Rules for Companies relating to Directors' and employees' dealings in Ordinary Shares.

The Company has established an audit committee, which will initially comprise Mark Hemmann and Jay Newman with Mark Hemmann as chairman. The audit committee's main functions include, amongst other things, reviewing and monitoring internal financial control systems and risk management systems on which the Company is reliant, considering annual and interim accounts and audit reports, making recommendations to the Board in relation to the appointment and remuneration of the Company's auditors and monitoring and reviewing annually their independence, objectivity, effectiveness and qualifications.

The Company has established a nominations committee chaired by Jay Newman with Stephen John Roberts as an additional member. It will lead the process for identifying and making recommendations to the board on candidates for appointment to the Company.

The Company has established a remuneration committee which will, when applicable, determine the terms and conditions of service of executive directors. The remuneration committee will initially comprise Stephen John Roberts and Mark Hemmann with Stephen John Roberts as chairman. It will review the payment of the executive Directors and set their remuneration and the payment of bonuses.

## **17. Dividend Policy**

Dividends of up to 20 per cent. of net profits may also be payable from time to time insofar as sufficient cash is available from investment realisations. The Directors will consider payment of such dividends on an annual basis. The payment of dividends will be subject to the availability of financial resources, whilst maintaining an appropriate level of dividend cover and having regard to the need to retain sufficient capital to finance the development of the Company's activities. The Company's dividend policy will be reviewed in light of the development costs of any investee businesses and the availability of financial resources. The Company may need to retain capital to finance the requirements of the Company and any investee businesses

## **18. Financial Information**

Since its incorporation on 4 March 2014, save for the matters described in this Part I, the Company has not yet commenced operations and has no material assets or liabilities, and therefore no financial statements have been prepared as at the date of this document. The Company's financial year end is 31 December and therefore its first audited annual report will be published by 30 June 2015 for the period from incorporation to 31 December 2014.

## **19. PRC Tax**

The Company is incorporated in the Cayman Islands and is therefore subject to the relevant tax laws and regulations applied to Cayman Islands companies referred to in paragraph 15.2 of Part VI. Notwithstanding, as the Company is currently operating in the PRC and its *de facto* management are also based in the PRC, it is the opinion of the Directors that any taxable profits arising from its trade will be subject to the relevant PRC taxes. The Company is currently seeking PRC tax planning advice and will endeavour to minimise the overall effective tax liabilities of the Company and any subsidiary undertakings that it may incorporate in the future. Up to the date of the Document, the Company has not generated any taxable income and has been loss making. Therefore, no PRC enterprise income taxes have been paid or were payable by the Company.

## **20. Shareholder Notification and Disclosure Requirements**

Following Admission, the Company will be required to comply with certain parts of the Disclosure Rules. In certain of the instances where the Disclosure Rules apply differently to an overseas company, provision has been made in the Articles to apply the rules as if the Company was incorporated in the UK. The Articles provide that Shareholders must comply with the rules contained in the provisions of Chapter 5 of the Disclosure Rules relating to disclosure of major shareholdings and other controlling voting rights in the Company as if it were a UK-incorporated company.

The Disclosure Rules can be accessed and downloaded from the FCA's website at <http://FCAhandbook.info/FCA/html/handbook/DTR5>. Further details of these notification and disclosure requirements are summarized in paragraphs 4.15 and 5.5 of Part VI of this document. Shareholders are urged to consider their notification and disclosure obligations carefully as a failure to make a disclosure to the Company may result in disenfranchisement.

## **21. Suitability and Regulatory Status**

The Company should only be marketed to, and is typically only suitable as an investment for, sophisticated investors with an understanding of the risks inherent in the Company's Investing Policy and an ability to potentially accept the total loss of all capital in the Company.

## **22. Additional Information**

The attention of investors is drawn to the information contained in Parts III, V and VI of this document which provide additional information on the Company and its Investing Policy, and also Part IV which sets out certain risk factors relating to the Company. Details of the Company's existing investment are contained in Part II of this document.

## PART II

### EXISTING INVESTMENT: VICTORY

#### 1. Introduction

Grand acquired a 33 per cent. stake in Victory from Shenzhen Grand upon completion of the pre-IPO reorganization, as described in paragraph 1.4 of Part II of this document. The interest was acquired from Shenzhen Grand which had made a cash investment of RMB 196 million in the company. As at 30 June 2014, the fair value of the Company's investment was RMB 196 million. The Directors understand that Victory is targeting a flotation within the next two years.

#### 1.1. Victory China's business

Victory China produces vocational education training software and videos, also known as "courseware".

Victory China produces training software, and most importantly training videos for basic blue collar jobs, primarily in the metal working (known in China as the "metallurgy") sector. Victory China works in a field which represents one of the fundamental social problems in the PRC today: that of unskilled labour migration from the countryside to urban areas. In China, the Ministry of Human Resources and Social Insurance (the "MHR") oversees and is responsible for the vocational education and training sector. The MHR oversees The National Vocational Training and Teaching Instruction Committee ("NVTTC") which, in turn, oversees the National Metallurgy Committee ("NMC") and the Wuxi-based Training Materials Center, or "TMC". Victory China has also negotiated an exclusive position as the only Government sanctioned courseware provider in the metal working field, with approval from the NMC and a contract with the Wuxi-based TMC. Victory China is headquartered in Wuxi.

The National Metallurgy Committee instructs Victory China, at beginning of each year, which specific sub-category of training videos to produce and the expected number of videos required each year. Victory China subsequently works with professors from universities to draft an executable script for external producers to shoot. Prior to submitting the videos to the National Metallurgy Committee for approval, Victory China performs minor post-production editing work in its Shenzhen office. Upon receiving approval from the National Metallurgy Committee, the training videos are passed on to the TMC in Wuxi, which distributes the videos to various vocational schools for in-course use.

The TMC, supported by the educational hierarchy, i.e. the NVTTC and the MHR, encourage schools in China to use the official training materials. This helps students and other courseware users to achieve official government "Occupational Skill Certificates", in this case in the metallurgy industry, which often significantly increases their ability to find jobs or enhance career prospects.

Vocational training schools pay the Training Materials Centre RMB600 for each student that enrolls in a course category that uses its training videos. The Training Materials Centre in turn pays RMB 500 of the RMB 600 to Victory China.

Victory China's strategy is to develop high quality video courses through cooperation with leading Chinese universities in relevant sectors, and in addition adopt training ideas, know-how and materials from the Australian national vocational skills certification system known as the TAFE (Technical And Further Education) system. At 31 December 2013, Victory China had acquired or developed 129 video courses which have been recognised as official training materials and which schools are encouraged to use. These video courses teach the necessary skills for 5 "crafts", out of a total of approximately 1,300 recognised crafts in the metallurgy sector. Victory developed 400 more video courses in 2014, which have been approved by the NMC.

Victory China also plans to develop video courses for other industrial sectors and in May 2014 signed a 10 year agreement with the Working Committee of Adult Education and the Training Institution of China for Adult Education Association ("WCA") in relation to vocational training for special industries.

Victory China is paid RMB700 per enrolled student. Victory China is targeting adoption of the courses for training the workers for construction of power stations by an initial six nuclear power stations. There are nine nuclear power stations under construction and a further 27 nuclear power stations are believed to be planned in mainland China.

### **Development of an on-line training website: “Kaigongla”**

Victory China is developing a vocational training and recruiting information website and is generating registered users through regional agents covering Eastern, Central, Northern, Southern and Southwest China. The intention is to charge small subscription fees to registered members for access to training videos with the expectation that a proportion of users will apply for vocational courses. This process is currently under development and is not yet revenue producing, however by 30 June 2014 some 3.5 million net users had registered to the site.

### **1.2. History**

Victory China is a Chinese limited company, incorporated in Wuxi, Jiangsu Province, PRC on 27 October 2011. In July 2012 it bought 54 training videos from Shenzhen Oumo Technology Co., Ltd. and started to develop its own video courses. Following a cooperation agreement with the Training Materials Centre, the company obtained an exclusive approval from the National Metallurgy Committee to produce standard training materials for qualification exams in the metallurgy industry. A change of shareholders occurred in August 2013, with the current majority shareholders taking control. The scope of the business licence was amended to cover the company’s present activities.

### **1.3. Grand’s involvement with Victory**

Grand signed a VAS agreement with Victory Cayman on 4 April 2014. Grand introduced Victory China to Jiangnan University’s Mechanical Engineering School to develop high quality training courses. Victory China and Jiangnan University began working together and developed the majority of the 129 separate courses and video guides referred to above. These have already been put to use by Victory China.

Grand also brought on board the International Cultural Exchange Center of Australia, who have introduced the Australian national vocational skills certification system known as TAFE (Technical And Further Education) to Victory China. The Directors believe that integrating the TAFE standards will lift the quality of Victory’s production to international vocational training standards.

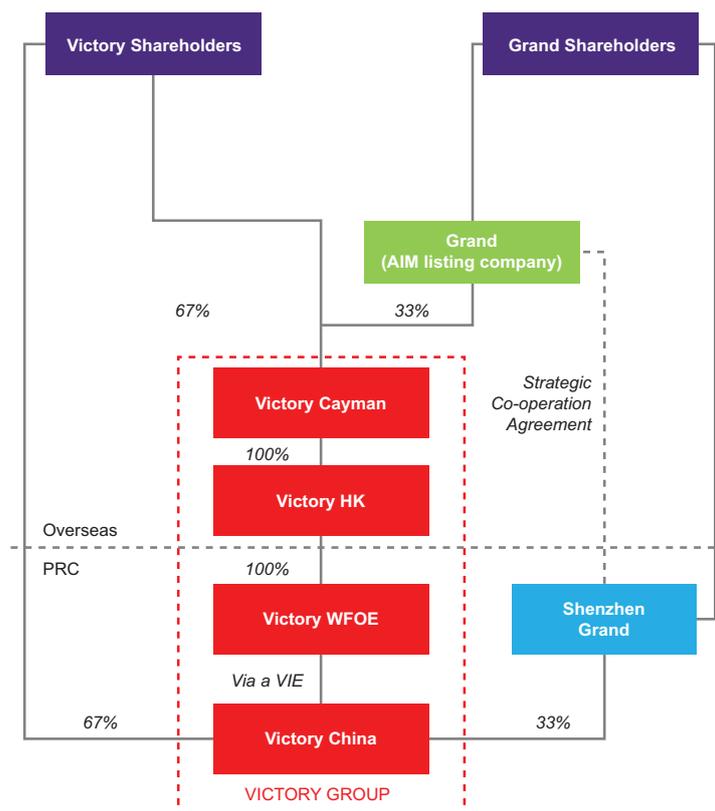
Assisted by Grand’s government contacts, Victory China has become the only Central Government authorised courseware provider in the metallurgical and metal working sector. The Directors believe that Victory China achieved this by establishing high quality standards, giving the company a strong competitive advantage.

Grand has introduced Victory to some of its business relationships. Grand Group recently helped Victory China enter into the contract with WCA. The WCA supervises and is in charge of the standard use of courseware in special sectors including those in relation to nuclear power stations. Grand also helped Victory China enter into a cooperation agreement with Jimei University (see paragraph 1.20.4 below).

#### 1.4. Victory Shareholding Structure

Grand has a 33.33 per cent. interest in Victory Cayman which was incorporated in Cayman Islands on 3 April 2014. See the chart below.

- Victory China is an indirect subsidiary (via a VIE arrangement) of Victory Cayman
- Mr Jiang Zhou (Executive Director) is a non-executive director of Victory Cayman
- Victory Cayman and Victory HK are holding companies
- Victory WFOE technically provides services to Victory China as part of the VIE Agreements
- Victory China is the primary trading entity



<i>Shareholders in Victory Cayman</i>	<i>Ultimate Shareholders</i>	<i>Percentage (%)</i>
Victory Education Investment Holding Limited (BVI)	Jie Zhou (周杰) (62%) Haijun Liu (刘海军) (16%) Xian Huang (黄娴) (16%) Jiazhong Yang (杨嘉钟) (6%)	56%
Grand Group Investment PLC	20 individuals (either directly or indirectly through holding companies)	33%
Xiaofeng Gao (高晓峰)	N/A-hold directly in his/her own name	5%
Jun Zhang (章珺)	N/A-hold directly in his/her own name	3%
Min Li (李民)	N/A-hold directly in his/her own name	1%
JBC WXR Family Holdings Limited	Xiurong Wu (吴秀荣)	1%
Goldenshine International Wealth & Wisdom Holding Co., LTD	Ming Zhou (周鸣)	1%

By virtue of its 56% shareholding in Victory Cayman, Victory Education Investment Holding Limited could exert a high degree of control over Victory Cayman. There is no shareholders' agreement or other agreement, arrangement or understanding governing this shareholding.

The VIE structure, as illustrated above, has been adopted by Victory in order to comply with various rules and regulations in China including the State Administration of Foreign Exchange (SAFE) Circular 75, Ministry of Commerce Ordinance 10 and other foreign-investment laws and regulations enacted by competent PRC authorities including SAFE, the Ministry of Commerce and the National Development and Reform Commission.

As a result, Victory Cayman does not enjoy direct or indirect equity ownership of Victory China. Instead, Victory China has entered into a series of contractual arrangements, as set out in paragraph 1.20.11 of Part II of this document, with the other companies in this structure and their shareholders which enables Victory Cayman to:

- exercise effective control over Victory China;
- receive substantially all of the economic benefits and residual returns, and absorb substantially all the risks of any expected losses from Victory China as if it was a wholly-owned subsidiary; and
- have an exclusive option to purchase all of the equity interests in Victory China.

These contractual arrangements, which constitute the VIE Agreements, enable Victory Cayman to effectively control its stake in Victory China.

The effect of the VIE Agreements is to separate all of the economic interest from the legal ownership of Victory China, so that 100% of the economic interest floats directly upwards (via the red boxes in the diagram attached), to the interest of the shareholders of Victory Cayman, i.e. 33% to Grand, and 67% to the other Victory shareholders.

The legal ownership of 33% of Victory China by Shenzhen Grand has no economic value.

Similar arrangements have been used by a number of Chinese companies listed on international stock markets, including the Hong Kong Stock Exchange, New York Stock Exchange, NASDAQ and AIM.

The Directors believe that the VIE Agreements effectively give the Group the entire beneficial ownership and economic control of Victory China.

Further details of the VIE Agreements are set out on page 78-80 of this document and attention is also drawn to the paragraph entitled "VIE Structure" in Part IV of this document.

## **1.5. Industrial Background and Market information**

### **The Market for vocational training services**

As the economy and urban areas continue to develop, China is in growing need of vocational training services. In 2013, there were approximately 269 million migrant workers in China, 31.4 per cent. of whom were in the manufacturing sector. This means that about 84 million migrant workers in this sector will need to commence or continue their vocational training.

In 2014, the Ministry of Human Resources and Social Insurance (the "MHR") adopted an implementation plan called the "Spring Tide Movement", whereby the MHR encourages migrant workers to receive vocational training in order to create a skilled labour force that meets industry requirements. MHR is the governing authority that supervises education and is in charge of all tests in relation to the Occupational Skill Certificate. Furthermore, the Government will subsidise the training. This means the employers that sponsor their employees through their training are likely to receive certain subsidies from the Government.

In addition to migrant workers, students in higher education are also encouraged to take certain training courses to learn necessary skills.

Wuxi is one of the regional centres of the Yangtze River Delta region. Wuxi is ranked the largest city in the delta in terms of average GDP per person in 2013. The development of light industry in this area has created a growing need for skilled workers. Many of China immigrant workers, lack basic education and skills. The great shortage of experienced technicians has become a key issue, hindering the development of China's industry. China is in need of vocational training services for this reason.

### **Standard teaching materials**

China also lacks standards for vocational training services and plans to build up the initial standards over 3-5 years from January 2013. Some of the leading players have their own books and materials, having obtained approval as official teaching materials for specific training (such as for automobile maintenance) but this is not always the case.

Improvement of vocational training in order to meet industry requirements was written into the central government's 10-year plan for 2010-2020. The PRC government supervises and enhances cooperation between schools and enterprises and guides the industry association for education to occasionally be adapted and developed based on market demand.

Students are encouraged to obtain an Occupational Skill Certificate when they graduate from school.

### **1.6. Trend information – significant demand anticipated for vocational training**

As set out above, China had approximately 269 million migrant workers in 2013, among which junior middle school graduates and above accounted for more than 84 per cent., or more than 226 million people. Of all migrant workers, 31.4 per cent. are involved in manufacturing, which means about 84 million migrant workers need skills training.

By the end of 2013, China's urbanization rate reached 53.73 per cent. of the population. According to the expected urbanization and socio-economic development trends in China over the next 20 years or so, Chinese society will have a rural population shift of more than 300 million people to cities and towns.

By the end of 2013, the Victory, cooperating with the TMC completed 200,000 worker/student training courses, which accounted for only 0.24 per cent. of the national target market, leaving significant room for the Victory to grow.

### **1.7. Victory China's Strategy and Growth Potential**

It is the Directors' belief that China's need for vocational training services will continue to grow due to continued urbanisation as a result of economic growth. They believe that video courses are more helpful and user friendly than books for all vocational training that involves operational skills.

In order to meet this growing need, one aspect of Victory China's strategy is to focus on cooperation with leading universities in the relevant sectors and with TAFE to develop and upgrade high quality video courses that meet national and international standards. As of June 2014, eleven educational institutions, predominantly based in Jiangsu province, provided Victory China courseware materials to approximately 273,000 students.

Another key strategy is to develop the "Kaigongla" training website with the intention to offer access to its developed training videos to registered members.

The Directors see Victory China's main growth potential coming from:

- Geographical expansion: from the Yangtze River Delta to the whole of China
- Sector expansion: from metallurgy to other sectors

Victory China is developing relationships with a further eleven educational institutions in the Jiangsu and Anhui provinces and earned initial revenues from the nuclear power sector in June 2014.

### 1.8. Financial Information, Current Trading and Prospects

In the two financial periods from incorporation on 27 October 2011 to 31 December 2013, Victory China reported results as summarised in the table below. These have been extracted without material adjustment from the Accountants' Report set out in Section B of Part V of this document which contains further information on Victory China's trading and financial position. Unaudited financial information in respect of the period ended 30 June 2014 has been extracted without material adjustment from Section C of Part V of this document.

	<i>Period ended 31 December 2012 Audited RMB '000</i>	<i>Year ended 31 December 2013 Audited RMB '000</i>	<i>6 months ended 30 June 2013 Unaudited RMB '000</i>	<i>6 months ended 30 June 2014 Unaudited RMB '000</i>
Revenue <sup>(i)</sup>	545	102,232	19,559	35,532
Gross Profit/(loss)	(2,155)	93,815	16,559	28,516
Profit/(loss) before taxation	(3,731)	75,065	9,787	17,076
Profit/(loss) for the period	(2,835)	55,833	7,340	12,958
Total Assets	30,674	73,277	NA	270,692
Total Equity	(2,335)	53,498	NA	262,456
Net cash generated from/(used in) operations	(1,491)	73,672	7,014	(47,922)
Cash and cash equivalents at period end	1,996	6,256	NA	154,488

<sup>(i)</sup> All of Victory China's revenue was generated in the PRC, and all revenues are derived from the same source: the sale of courseware and related services.

Victory China was incorporated on 27 October 2011 and effectively commenced trading on 5 July 2012 when the initial batch of vocational training videos was acquired. It started to generate income from December 2012 as a result of entering into a contract with the Training Materials Centre ("TMC"). The TMC contract was responsible for all revenue up to 31 May 2014. During the year ended 31 December 2013, ten educational institutions utilised Victory China's video courseware materials in their metallurgical classes, teaching a total of over 200,000 students. As 2013 progressed, revenue earned increased substantially as the number of enrolled students developed. Victory China's revenue model is impacted by high levels of seasonality, whereby revenue is heavily weighted towards the second half of the calendar year. During 2013 over 80 per cent. of revenue was earned during the final six months of the year.

The most significant expense of Victory China relates to the commissioning of video materials by external third party TV production companies. The accounting treatment of purchasing the videos is to capitalise the courseware as an asset on the statement of financial position at cost, then amortise the asset over its estimated useful economic life (approximately five years). A five year amortisation policy reflects management's expectations and the relatively slow technological advances in the vocational metallurgy industry. Victory provides courseware materials for five metallurgy fields including milling, lathe operation, fitting, electric welding and IT programming.

In regards to overhead expenditure the majority of these expenses relate to agency fees for website registrations. During the year ended 31 December 2013 Victory China incurred RMB 10.7m in agency fees.

During its first full year of trading in the year ended 31 December 2013, Victory China made a net profit of RMB 55.8m on income of RMB 102.2m.

Based on the unaudited management accounts for the first six months ended 30 June 2014, TMC revenue showed an increase of 74 per cent. from the same period in the prior year to RMB 35.5m.

Additional revenue began to be earned by Victory China during June 2014 with an agreement with the nuclear power industry in China, for which a total revenue of RMB 1.3m was generated. During the six months ended 30 June 2014, agency fees amounting to RMB 6.8m had been incurred. The unaudited results for the six months ended 30 June 2014 showed a net profit of RMB 13.0m. Revenues per registered metallurgy course user remain at RMB 500 per student with those from the nuclear industry at RMB 700 per user.

Victory China acquired courseware vocational videos for RMB 27m during 2012 with acquired and commissioned vocational video expenditure of RMB 30m during 2013. Prepayments on courseware vocational videos and website upgrades totalling RMB 40m were made during the first half of 2014 and tax of RMB 18.3m was also paid. Net assets have increased as a result of profitable trading and the RMB 196m capital investment by Shenzhen Grand during 2014.

Other than as described in this Part II, Victory China has made no other principal investment and none are in progress or have been committed to as far as the directors are aware.

### **1.8.1 Trading update**

Trading in the second half of the 12 month period to December 2014 was strong and consistent with management's expectations, which is encouraging as the second half of the year reflects the seasonality of Victory China's revenue model. A robust increase in revenue came from strong growth in customers, mainly in the metallurgy sector but also with contributions from the Jimei University contract, which was signed in August 2014, and contributions from the WCA contract. Victory's online training website "Kaigongla" also generated its first revenues, although these are insignificant at this stage. The Victory directors are generally confident about the company's prospects and believe that it is well placed to develop its business in line with its stated strategy.

### **1.9. Victory China's management organisation structure**

Victory China's 3 executive directors are Jie Zhou, Min Li and Haijun Liu. Haijun Liu is the incumbent supervisor. In total Victory China had 3 employees at 31 December 2012, 69 employees at 31 December 2013 and 55 employees at October 2014, all of whom are based in China. The majority of the employees are in Victory China's marketing department.

### **1.10. Related Party Transaction**

Details of a RMB33,000,000 loan from Victory China's controlling shareholder, Jie Zhou and expenses of approximately RMB18,000 paid to related parties are contained in notes 12 and 14 respectively of the accountants' report on Victory China set out in section B of Part V of this document.

The loan referred to above equates to approximately 33% of Victory China's turnover for the year ended 31 December 2013.

### **1.11. Additional Information**

The attention of investors is drawn to the information contained in Section B of Part V of this document which provides additional information on Victory China, and also Part IV which sets out certain risk factors relating to the Company and Victory.

### **1.12. History and background of Victory China**

1.12.1. Wuxi Victory Media & Culture Co., Ltd was incorporated on 27 October 2011 in the PRC as Wuxi Wangwen Trading Co., Limited. The change of name took place on 6 August 2013. It is registered in Wuxi Jiangsu Province, PRC and its registration number is 320206000195145.

1.12.2. Victory China is a limited liability company which operates under PRC law and is domiciled in Wuxi Jiangsu Province.

1.12.3. The registered address and principle place of business of Victory China is Room 125, No. 10, Qian'ou Street, Qianqiao Sub-District, Huishan District, Wuxi City, Jiangsu Province, PRC. The telephone number is + 86 510 8329 5868.

1.12.4. The non-statutory auditor of Victory China for the period from incorporation to 31 December 2012 and the year ended 31 December 2013 was Moore Stephens (Hong Kong), 905 Silvercord, Tower 2, 30 Canton Road, Tsimshatsui, Kowloon, Hong Kong. Moore Stephens Hong Kong is a member firm of the Hong Kong Institute of Certified Public Accountants.

### **1.13. Intellectual Property**

1.13.1. Victory China has no trademark or patent registrations. It holds the copyright to a total of 529 coursewares which it acquired or developed during 2012 and 2014. Further details of these acquisitions are set out in paragraph 1.20 of this Part II.

### **1.14. Board Practices and directors' service agreements**

Victory China currently has a board of 3 directors. On 3 September 2014, Victory China entered into the following service agreements with its directors for an initial period of 3 years from 1 September 2014 pursuant to which:

1.14.1. Mr Jie Zhou was appointed as a Chairman, director and Chief Executive Officer of the company for a salary of RMB500,000 per annum and reimbursement of all his out of pocket expenses incurred in the performance of his duties. The appointment shall continue automatically from year to year and is terminable on six months' notice by either side. The company may terminate the appointment immediately for cause, in the event that Mr Zhou is in breach of the service agreement or commits persistent misconduct or is found to be dishonest. Mr Zhou has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Group, save with the prior sanction of the Directors.

1.14.2. Mr Min Li was appointed as a director and Chief Operating Officer of the company for a salary of RMB450,000 per annum and reimbursement of all his out of pocket expenses incurred in the performance of his duties. The appointment shall continue automatically from year to year and is terminable on six months' notice by either side. The company may terminate the appointment immediately for cause, in the event that Mr Li is in breach of the service agreement or commits persistent misconduct or is found to be dishonest. Mr Li has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Group, save with the prior sanction of the Directors.

1.14.3. Mr Haijun Liu was appointed as a director and Chief Administrative Officer of the company for a salary of RMB450,000 per annum and reimbursement of all his out of pocket expenses incurred in the performance of his duties. The appointment shall continue automatically from year to year and is terminable on six months' notice by either side. The company may terminate the appointment immediately for cause, in the event that Mr Liu is in breach of the service agreement or commits persistent misconduct or is found to be dishonest. Mr Liu has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Group, save with the prior sanction of the Directors.

Victory China does not comply with any recognised corporate governance regime, since there is no such recognised body of rules in the PRC.

## **1.15. Share Capital**

- 1.15.1. There are no options, warrants, convertible instruments or other conditional rights over shares of Victory China in existence.
- 1.15.2. All shares in Victory China have equal voting rights.
- 1.15.3. Victory China was incorporated with a share capital of RMB 500,000. As at 31 December 2013 Victory China had a registered share capital of RMB 500,000. On 25 April 2014 the share capital increased to RMB 750,000.
- 1.15.4. The shares of Victory China have no par value and are fully paid.

## **1.16 Dividends**

- 1.16.1. Victory China has not historically paid and does not intend to pay dividends in the short to medium term with all cash generated being reinvested to fund Victory China's growth.
- 1.16.2. The board of Victory China has no intention of declaring a dividend in respect of the current financial year.

## **1.17 Litigation**

- 1.17.1. Victory China, Victory Cayman, Victory HK and Victory WFOE are not, nor have they at any time within the 12 months preceding the date of this document or since incorporation if later, been engaged in any governmental, legal or arbitration proceedings and the director of Victory China is not aware of any governmental, legal or arbitration proceedings pending or threatened by or against Victory China, Victory Cayman and Victory WFOE nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the 12 months preceding the date of this document, a significant effect on Victory China, Victory Cayman and Victory WFOE's financial position or profitability, each as the case may be.

## **1.18. Memorandum and Articles**

- 1.18.1. The articles of association of Victory China dated 3 September 2014 (the "**Victory China Articles**") provide, *inter alia*, that:
  - a) the company name is Wuxi Victory Media & Culture Co., Ltd.;
  - b) the board of the company consists of 3 directors;
  - c) Victory China is a limited liability company;
  - d) the registered share capital is RMB 750,000;
  - e) the business scope of Victory China is:
    - i. authorized Business Items: None;
    - ii. general business items: the designing, producing, agency of, and publicising domestic advertisements; the technical development and sale of electronic products; cultural activities planning; corporate image planning; exhibition planning; marketing planning; enterprise management consultation; investment consultation (excluding the class of securities and futures); economic information consultation; wedding etiquette services; conference service;

- f) the decisions to be made at shareholders' meetings include:
  - i. determining operational guidelines and investment plans of the company;
  - ii. electing and replacing the executive director and supervisor, deciding upon their remuneration;
  - iii. reviewing and approving reports submitted by the executive director;
  - iv. reviewing and approving reports submitted by the supervisor;
  - v. reviewing and approving annual financial budget plans and final accounting plans of the company;
  - vi. reviewing and approving company profit distribution plans and loss recovery plans of the company;
  - vii. adopting resolutions relating to increase in or reduction of the company's registered capital;
  - viii. adopting resolutions relating to issuance of company debentures;
  - ix. adopting resolutions relating to merger, division, dissolution, liquidation and change of form of the company;
  - x. amending the Victory China Articles;
- g) shareholders shall exercise voting rights at shareholders' meeting in accordance with the proportions of their capital contributions;
- h) a resolution for an increase in or reduction of registered capital, division, merger, dissolution or change in corporate form of the company shall be passed by shareholders representing two-thirds or more of the voting rights;
- i) Victory China shall have one supervisor to be appointed by the shareholders' meeting. The term of office of the supervisor is three years and is renewable<sup>(1)</sup>;
- j) the powers of the supervisor are:
  - i. examining the financial affairs of the company;
  - ii. supervising the executive director or the senior executives in the performance of their company duties and proposing the dismissal of the executive director or senior executives who violate laws or administrative regulations or breach the China Victory Articles or resolutions of shareholders' meetings;
  - iii. requiring the executive director or the senior executives to make rectification when any act thereof causes harm to company interests;
  - iv. proposing interim shareholders' meetings;
  - v. calling and holding shareholder's meetings when the executive director does not perform his/her responsibilities to call and hold shareholders' meetings under PRC company law; and
  - vi. putting forward proposals to shareholders' meetings;
- k) instead of establishing a board, Victory China shall only have one executive director, who is directly appointed at a shareholders' meeting who will also be the company's legal representative;

<sup>(1)</sup> A supervisor is part of the corporate governance required by PRC company law. Its main function is to supervise that the directors and other management team members are properly performing their duties in line with the law and the Victory China Articles and take actions against them in case of breach. A supervisor has the right to attend board meetings without voting rights but for the purpose to ensure that the board resolutions are not in breach of law or Victory China Articles.

- l) the term of office of the executive director is three years and is renewable;
- m) the board has the following powers:
  - i. being responsible for calling and reporting to shareholders' meetings;
  - ii. implementing resolutions adopted by shareholders' meeting;
  - iii. determining the operational plans and investment programmes of Victory China;
  - iv. preparing annual financial budget plans and final accounting plans of Victory China;
  - v. preparing profit distribution plans and loss recovery plans of Victory China;
  - vi. preparing plans for increasing or reducing the registered capital of Victory China;
  - vii. drafting plans for the merger, division, dissolution or change of form of Victory China;
  - viii. determining the structure of the internal management of Victory China;
  - ix. appointing or removing the manager of Victory China, appointing or removing, upon the manager's recommendation, the other senior executives of Victory China, and determining the remuneration for those executives;
  - x. formulating the basic management scheme of Victory China;
  - xi. drafting any plan to amend the Victory China Articles;
- n) Victory China shall have one manager to be appointed by the board<sup>(2)</sup>;
- o) the manager has the following powers:
  - i. being in charge of the management of Victory China production and operation, and organizing the implementation of resolutions passed by the executive director;
  - ii. organising the implementation of annual operating plans and investment programmes of Victory China;
  - iii. preparing the plan for the structure of Victory China's internal management;
  - iv. preparing the basic management scheme of Victory China;
  - v. formulating detailed company rules;
  - vi. recommending the appointment or the removal of the other senior executives of Victory China;
  - vii. appointing and removing officers of Victory China (other than those to be appointed or removed by the executive director); and
  - viii. other powers prescribed by the Victory China Articles;
- p) the profit distribution is not specified; and
- q) the term of business is indefinite from Victory China's incorporation.

<sup>(2)</sup> Managers of a company are normally more involved in the daily business management. It is quite common in PRC that a director may also take the position of the manager of a company.

## 1.19. Significant change statement

1.19.1. Save as disclosed in this Part II, there has been no significant changes in the trading or financial position of Victory China since 30 June 2014 the date to which the historical financial information of the Victory in Part V of this document was prepared.

## 1.20. Material Contracts

### 1.20.1. Courseware Purchase and Development Agreements

Victory China holds the copyright to a total of 529 coursewares, 54 of which were purchased by Victory China from Shenzhen Oumo Technology Co. Ltd. under a purchase contract entered into on 5 July 2012.

Victory China has entered into three contracts with Haimen Radio and TV Station for the production of a total number of 295 coursewares, among which 245 have been completed with the remaining 50 in process.

Victory China has entered into another three contracts with Lianyungang Radio and TV Station for the production of a total number of 280 coursewares, among which 230 have been completed with the remaining 50 in process.

### 1.20.2. Cooperative Agreement with the Training Material Centre (“TMC”)

On 5 September 2012, Victory China entered into a cooperative agreement with TMC as supplemented and extended on 8 August 2013 (the “**Cooperative Agreement**”) pursuant to which Victory China agrees to provide standard training coursewares meeting the requirements of the National Metallurgy Committee of the NVTTC in return for a fee per individual using such coursewares of RMB500. The Cooperative Agreement is valid and effective to 10 July 2022. Victory China has the right to terminate the Cooperative Agreement unilaterally where: (a) TMC is in violation of national laws and regulations; (b) TMC conducts its operation beyond the scope as specified in the Cooperative Agreement and in the name of Victory China; or (c) there are disputes that influence the reputation of Victory China and TMC.

### 1.20.3. Agreement with the Working Committee of Adult Education and the Training Institution of China for Audit Education Association (“WCA”)

On 20 May 2014, Victory China entered into an agreement with WCA (the “**WCA Agreement**”) pursuant to which Victory China agrees to provide WCA with coursewares according to the standards set by WCA. Victory China also agrees to assist WCA to standardise the technical training standards in each industry and provide the required coursewares, the first stage of which is to standardise the nuclear power system technical training standards. Victory China can charge a fee per individual using such coursewares of RMB700. The WCA Agreement is valid and effective for ten years from the date on which it was executed. Once the agreement expires, it will renew for ten years on condition that both of the parties do not object to the renewal.

### 1.20.4. Strategic Cooperation Agreement with Jimei University

On 27 August 2014, Victory China entered into a strategic cooperation agreement with Jimei University (the “**Strategic Cooperation Agreement**”) pursuant to which Victory China agrees to provide Jimei University with coursewares which meet the Three National Standards of the Ministry of Education as well as the industry standards in return for a fee per individual using such coursewares of RMB500. Jimei University will provide Victory China with advisory support based on its teaching resources regarding Victory China’s production of the coursewares in return for a management fee per individual using such coursewares of RMB100. The Strategic Cooperation Agreement is valid and effective for ten years from the date on which it was executed. Victory China

has the right to terminate the Strategic Cooperation Agreement unilaterally where: (a) Jimei University is in violation of the provisions of the state; (b) Jimei University carries out any activities beyond the scope of the Strategic Cooperation Agreement and in the name of Victory China; or (c) there are any disputes in existence or arising between Jimei University and Victory China which influence the reputation of Victory China, and such dispute is not settled within thirty days of it occurring.

1.20.5. *Purchase Contract with Shenzhen Jinteng Trade Co., Ltd.*

On 6 May 2013, Victory China entered into a purchase contract with Shenzhen Jinteng Trade Co., Ltd (the “**Supplier**”) for the purchase of electrical, photography and camera equipment (the “**Purchase Agreement**”) for a contract price of RMB 6,421,140 to be trialled and examined by Victory China on or before 30 December 2013. Victory China shall pay 50 per cent. of the contract price to the supplier upon the completion of the installation and trial run. Victory China shall pay off the remaining contract price upon completion of the acceptance examination.

1.20.6. *Exclusive Business Cooperation Agreement*

Pursuant to the Exclusive Business Cooperation Agreement entered into by and between Victory WFOE and Victory China on 3 June 2014, Victory WFOE shall provide Victory China with technical support, consulting services and other services on an exclusive basis in relation to the businesses conducted by Victory China, utilizing the advantages of Victory WFOE in technology, human resources and information, and Victory China shall pay a service fee to Victory WFOE equalling 100 per cent. of the net income of Victory China.

1.20.7. *Capital Increase Subscription Agreement with Jie Zhou*

On 23 April 2014, Shenzhen Grand entered into a Capital Increase Subscription Agreement with Jie Zhou and Victory China. In this agreement, Shenzhen Grand agreed to invest cash in the total amount of RMB196,000,000 to Victory China, of which RMB 250,000 shall be used for the subscription for an increase in the capital of Victory China in the amount of RMB 250,000, representing approximately 33.3% of the fully diluted share capital of Victory China, with the balance credited to Victory China’s capital reserve.

1.20.8. *Service Agreement with Wangdao Network*

On 15 May 2014, Victory China entered into an agreement with Wangdao Network Technology Co., Ltd. (“**Wangdao**”). Under the agreement, Victory China outsources to Wangdao the IT services for the vocational training platform including hardware, software, the upgrade, repair and maintenance of the IT system, daily maintenance, IT solutions. The term of the contract is from 15 May 2014 to 31 December 2016. The total service fee is RMB50,000,000.

1.20.9. *Exclusive Option Agreement*

Pursuant to the Exclusive Option Agreement entered into by and between Victory WFOE, Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, Jun Zhang, Shenzhen Grand and Victory China, Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang on 3 June 2014, Shenzhen Grand granted Victory WFOE an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase, the equity interests in Victory China then held by any of them. The purchase price for Victory WFOE to purchase the above equity interest from Shenzhen Grand shall be RMB 10. The purchase price for Victory WFOE to purchase the above equity interests from Jie

Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang shall be equal to the principal amounts of the loans made by Victory WFOE to Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang respectively under the Loan Agreement.

1.20.10. *Loan Agreement*

Pursuant to the Loan Agreement entered into by and between Victory WFOE, Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang on 3 June 2014, Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang have obtained from Victory WFOE loans in the amount of RMB 262,625, RMB 66,650, RMB 66,025, RMB 6,900 RMB 24,000, RMB 6,900, RMB 6,900, RMB 37,500 and RMB 22,500 respectively. The term of the above loans, which are interest free, shall be 10 years from the effective date of the Loan Agreement.

1.20.11. *Equity Pledge Agreements*

- (a) The First Equity Pledge Agreement: pursuant to the First Equity Pledge Agreement entered into by and between Jie Zhou, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Jie Zhou has pledged the 35.02 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Jie Zhou and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;
- (b) The Second Equity Pledge Agreement: pursuant to the Second Equity Pledge Agreement entered into by and between Haijun Liu, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Haijun Liu has pledged the 8.89 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Haijun Liu and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;
- (c) The Third Equity Pledge Agreement: pursuant to the Third Equity Pledge Agreement entered into by and between Xian Huang, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Xian Huang has pledged the 8.8 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Xian Huang and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;
- (d) The Fourth Equity Pledge Agreement: pursuant to the Fourth Equity Pledge Agreement entered into by and between Min Li, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Min Li has pledged the 0.92 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Min Li and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;
- (e) The Fifth Equity Pledge Agreement: pursuant to the Fifth Equity Pledge Agreement entered into by and between Jiazhong Yang, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate

issued by Wuxi Huishan SAIC on 14 May 2014, Jiazhong Yang has pledged the 3.2 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Jiazhong Yang and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;

- (f) The Sixth Equity Pledge Agreement: pursuant to the Sixth Equity Pledge Agreement entered into by and between Xiurong Wu, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Xiurong Wu has pledged the 0.92 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Xiurong Wu and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;
- (g) The Seventh Equity Pledge Agreement: pursuant to the Seventh Equity Pledge Agreement entered into by and between Ming Zhou, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Ming Zhou has pledged the 0.92 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Ming Zhou and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;
- (h) The Eighth Equity Pledge Agreement: pursuant to the Eighth Equity Pledge Agreement entered into by and between Xiaofeng Gao, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Xiaofeng Gao has pledged the 5 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Xiaofeng Gao and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney;
- (i) The Ninth Equity Pledge Agreement: pursuant to the Ninth Equity Pledge Agreement entered into by and between Jun Zhang, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Jun Zhang has pledged the 3 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Jun Zhang and Victory China's full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney; and
- (j) The Tenth Equity Pledge Agreement: pursuant to the Tenth Equity Pledge Agreement entered into by and between Shenzhen Grand, Victory China and Victory WFOE on 14 May 2014 and an equity pledge registration certificate issued by Wuxi Huishan SAIC on 14 May 2014, Shenzhen Grand has pledged the 33.34 per cent. equity interests in Victory China held by him/her to Victory WFOE for the purpose of securing Shenzhen Grand and Victory China's full performance of their obligations under the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

#### 1.20.12. *Spouse Consent Letters*

Pursuant to Spousal Consent Letters issued respectively by the spouses of Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Xiaofeng Gao respectively on 3 June 2014, the spouses of Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, and Xiaofeng Gao have agreed to the execution of the other VIE Agreement documents by their respective spouses and the disposal of the equity

interests of Victory China held by their respective spouses and to provide other assistance as to the appropriate performance of the other VIE Agreement documents.

#### 1.20.13 Powers of Attorney

Pursuant to the Powers of Attorney issued by Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, Jun Zhang, and Shenzhen Grand respectively on 3 June 2014, Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, Jun Zhang, and Shenzhen Grand have authorised Victory WFOE to act on behalf of them as their exclusive agent and attorney with respect to all matters concerning their respective shareholdings in Victory China, to execute all the documents they shall sign as stipulated in the Exclusive Option Agreements and the Equity Pledge Agreement, and to perform the terms of the Exclusive Option Agreement and the Equity Pledge Agreements.

#### 1.20.14. Agency Contracts

Victory China has entered into five agency contracts in standard form since 2012:

No.	The Other Party to the Contract	Date of Contract	Area of Agency	Consideration (RMB)
1	Su Liu (刘溯)	13 November 2012	East China	RMB 5 for each registered member per month
2	Shurong Cao (曹淑蓉)	20 November 2012	North China	RMB 5 for each registered member per month
3	Jianwen Yu (于见闻)	3 December 2012	South China	RMB 5 for each registered member per month
4	Deng Pan (潘登)	12 December 2012	Central China	RMB 5 for each registered member per month
5	Jiren Dang (党吉任)	22 December 2012	Southwest China	RMB 5 for each registered member per month

#### 1.20.15. Advertising Contracts

Victory China has entered into three advertising contracts in standard form since 2012 and details are listed below:

No.	The Other Party to the Contract	Date of Contract	The Number of Advertising Events	Consideration (RMB)
1	Shenzhen Qianbaihui Advertising Co., Ltd. (深圳市千百荟广告有限公司)	28 November 2012	33 per month	1,000,000
2	Shenzhen Yuzhong Advertising Co., Ltd. (深圳市渝中广告有限公司)	10 June 2013	33 per month	1,000,000
3	Shenzhen Jiaheyuan Advertising Co., Ltd. (深圳市佳合源广告有限公司)	20 October 2013	48 per month	1,500,000

#### 1.20.16. Comfort letter

On 21 January 2015, Mr. Jie Zhou, Mr. Min Li and Mr. Haijun Liu provided an indemnity to Victory and the Company in respect of any liability of Victory China as a result of a claim for payment which it may receive due to Victory China's failure to pay various employee social benefits, including the social security fund and housing fund, and any interest, fees or penalties in relation to such payments.

1.20.17. *Donation Agreement*

On 9 September 2014, Victory China entered into a donation agreement with WCA pursuant to which Victory China agreed to donate RMB 500,000 annually to WCA to support WCA's work of implementation of three national standards of adult education and training services.

## PART III

### INVESTING POLICY

#### **Investment Objective**

The Company's objective is to generate an attractive rate of return for Shareholders, predominantly through capital appreciation. Dividends of up to 20 per cent. of net profits may also be payable from time to time insofar as sufficient cash is available from investment realisations. The Directors will consider payment of such dividends on an annual basis.

#### **Investing Policy**

The Company seeks to be an active value-added investor and to operate as a later stage, value adding incubator fund. The Company will seek to identify potential investee companies where its access to research, technology and university support can have a positive effect on the investee companies.

The Company aims to provide equity and equity-related investment capital, such as convertible loans, to companies which are seeking capital for growth and development, consolidation or acquisition, or as a pre-IPO round of financing. These investments may be made in combination with additional debt or equity-related financing and, in appropriate circumstances, in collaboration with other financial and/or strategic investors.

The Company will aim to invest primarily in private companies with high growth potential, where a timely investment will allow the investee to increase market share and create shareholder value. The Company will target small and mid-sized companies and will seek substantial minority stakes with potential or actual board representation to enable participation in management with a view to improving performance and growth of the investee business. The Company intends to work closely with the management of each investee company to create value by focusing on driving growth through revenue creation, margin enhancement and extracting cost efficiencies, as well as by creating appropriate capital structures to enhance returns. The Company may on occasion take controlling stakes where sufficient separation is maintained between the Company and the investment to ensure that the Company does not become a trading company.

The Company may also invest up to 15 per cent. of its gross assets at the time of investment in publicly traded securities. No restrictions will be placed on the size of any public companies in which the Company may make an investment. The Company may in addition invest up to 20 per cent. of its gross assets at the time of investment in other collective investment undertakings, which themselves have substantially similar investing policies as the Company. Crossholdings between investments are possible. The Company will not invest in derivative financial instruments, money market instruments or currencies other than for the purposes of efficient portfolio management.

Grand will invest in companies operating within the Greater China Region. The Company will not invest in the natural resource or real estate sectors. Investments will be primarily in education or training related sectors or in sectors where investee company access to research, technology or university support should enhance or enable commercialisation of products or services. The Company will not invest in fundamental scientific research.

Typical investments are expected to range in size from £3 million – £50 million. There is no limit on the maximum size of an investment, nor any minimum number of investments. As investments are made and new opportunities arise, further equity funding of the Company may be required although the Company will not raise additional funds until at least 70 per cent. of the Placing proceeds have been invested.

It is not intended for the Company to use borrowings for long term structural gearing, and it is intended that any borrowing would only be used on a tactical basis where the Directors believe gearing will enhance returns to Shareholders. The Company will not be subject to any borrowing or leveraging limits.

The Company expects to derive returns on investments principally through capital gains and/or the receipt of dividends from investee companies. For private investee companies, the typical investment holding period is currently expected to be between two and four years. Exits may be effected by flotation on an international or domestic stock exchange, trade sale, secondary private equity buy-out, sale to institutional and/or private investors, or structured exit by contract. On flotation of any investee company, Grand would likely retain a part of its investment in the listed entity going forward. For publicly quoted investee companies the objective is to maximize capital appreciation without any generally expected investment holding period. Should the Company consider that any capital appreciation of a particular public equity investment has peaked or is likely to or has begun to decline, then the Company will consider the sale of that investment.

The Directors are confident that the Investing Policy can be substantially implemented within eighteen months of Admission, failing which they will seek the consent of Shareholders for the Investing Policy at the Company's next ensuing annual general meeting and on an annual basis thereafter until such time as its Investing Policy has been substantially implemented. If it appears unlikely that the Investing Policy can be substantially implemented at any time, the Directors may consider returning any remaining funds to Shareholders. The Investing Policy can only be varied materially by the prior consent of Shareholders in a general meeting.

### **The Investment Process**

The Directors intend to source and identify potential investments through their own research and network of contacts, such as TKK and through the Memorandum of Understanding with Lion Global Investors further details of which are set out in paragraph 8 of Part VI of this document. The Company intends to become actively involved with potential investee companies prior to making any cash investment. The Directors will be responsible for managing the investment process and monitoring the investee companies' operating performance thereafter. The proposed exit route will form a key consideration of the initial investment analysis.

The Directors will undertake due diligence reviews on potential investments. In assessing potential investee companies, the Directors will give consideration to, amongst other factors, each entity's medium to long term prospects and will have regard to the entity's growth potential, accounting transparency, competency and motivation of management, Grand's ability to add value and viable exit opportunities within a reasonable time scale.

The Company will not proceed with an investment in cases of non-compliance with any licensing requirements. The Company will not invest in any business which has not adopted or does not adhere to the relevant code of conduct or best practice endorsed by the applicable trade association or equivalent body in the area(s) in which the proposed investee company operates.

When investing in publicly quoted companies, the Company will seek to select companies with a strong market position or strong growth potential in their respective segments. The Directors intend to make investments in companies or businesses with attractive valuations, with competent and motivated management, which enjoy brand recognition, have scalable business models, have strong relationships with customers and which have in place transparent and recognised accounting policies and good corporate governance practices.

Directors or other employees of the Company may, in certain circumstances, be invited to co-invest alongside the Company. In such cases, the co-investment will be subject to the unanimous approval of the non-interested Board members and compliance with the AIM Rules for Companies and in aggregate will be limited to a maximum of 25 per cent. of any investment made the Company.

The Company entered into a Strategic Cooperation Agreement with Shenzhen Grand on 19 April 2014 under which Shenzhen Grand was engaged as the Company's non-exclusive financial consultant to seek and develop potential investment projects. Under this agreement, Shenzhen Grand will inform the Company of potential investment opportunities and grant it a priority right to invest or co-invest under the same terms and conditions as Shenzhen Grand. Further details of this agreement are given in paragraph 8 of Part VI of this document.

Any quoted or listed investments will be held through a third party custodian or depository. Any investments into private companies will be held by the Company directly or through special purpose vehicles.

#### **Net Asset Value Publication and Valuation Methodology**

Valuations will occur twice yearly to coincide with the preparation by the Company of its interim half yearly report and its annual accounts by its auditor, Moore Stephens LLP.

Investments by the Company will initially be recognised at cost as at the date of investment and will subsequently be re-measured at fair value or at cost less provision for impairment in value where no reasonable range of fair values can be determined.

Fair value for private company investments will be determined in accordance with the guidelines and principles for valuation of portfolio companies set out in the International Private Equity and Venture Capital Valuation Guidelines.

In estimating fair value for an investment, the Directors will apply a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio and will use reasonable assumptions and estimations.

Valuation methodologies will incorporate available information about all factors that are likely materially to affect the fair value of the investment. Methodologies will be applied consistently from period to period, except where a change would likely result in a better estimate of fair value. Any changes in valuation methodologies will be clearly stated.

Widely used methodologies include cost of recent investment, earnings multiple, net assets, discounted cash-flows, industry valuation benchmarks and available market prices. Publicly traded securities will be valued by reference to their bid prices on the relevant exchange.

#### **Ongoing and Annual Expenses**

The Company will incur ongoing and annual expenses including fees payable to management, bank charges, due diligence expenses, regulatory fees, legal fees, audit fees, referral or finders' fees and other applicable expenses. The Company will target an annual total expense ratio (excluding formation and initial expenses and the costs of the Placing and Admission) of 1.5 per cent. per annum of the opening Net Asset Value.

## **PART IV**

### **RISK FACTORS**

Shareholders should carefully consider the risks described below before making a decision to invest in the Company. This Part IV contains what the Directors believe to be the principal risk factors associated with the Company. It should be noted that this list is not and cannot be exhaustive and that other risks may apply to an investment in the Company. If any of the following risks actually occur, the Company's business, financial condition and/or results or future operations could be materially adversely affected. In such circumstances, the trading price of the Ordinary Shares could decline and a Shareholder may lose all or part of his investment.

There can be no certainty that the Company will be able to implement successfully the strategy set out in this document. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on the Company.

This document contains forward-looking statements that involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company which are described below and elsewhere in this document. Shareholders should carefully consider the other information in this document. The risks listed below do not necessarily comprise all the risks associated with an investment in the Company.

An investment in the Company may not be suitable for all recipients of this document. Shareholders are accordingly advised to consult an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

#### **RISKS RELATING TO THE ORDINARY SHARES AND THEIR TRADING ON AIM**

##### **Investment in AIM securities**

It may be more difficult for an investor to realise his or her investment on AIM than it is to realise an investment in a company whose shares or other securities are quoted on another stock market, such as the Official List. The AIM Rules for Companies are less demanding than those of the Official List. Therefore, an investment in a share which is traded on AIM is likely to carry a higher risk than an investment in a share which is quoted on the Official List. The market for the Ordinary Shares may be highly volatile and subject to wide fluctuations in response to a variety of factors, including those set out in this Part IV, which could lead to losses for Shareholders.

##### **Market value of Ordinary Shares**

Shareholders should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and Shareholders may therefore not recover all, or any, of their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity.

Stock markets have from time to time experienced extreme price and volume volatility which, in addition to general economic and political conditions, could adversely affect the market price of Ordinary Shares.

The Company's operating results and prospects from time to time may be below the expectations of market analysts and investors. At the same time, share market conditions may affect the Ordinary Shares regardless of the performance of the Company. Share market conditions are affected by many factors, such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market

sectors and the demand for and supply of capital. Accordingly, the market price of Ordinary Shares may not reflect the underlying value of the Company's investments, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others may be outside the Company's control.

#### **Future issues of Ordinary Shares could be dilutive**

It may be necessary, at some time in the future, for the Company to issue additional Ordinary Shares to fund the growth plans of the Company. Any such issue would dilute the interests of Shareholders and could impact upon the price of the Ordinary Shares.

#### **Limited regulatory control**

The holders of Ordinary Shares will not enjoy any protections or rights other than those reflected in the Articles and those rights conferred by law. Neither the Listing Rules of the UK Listing Authority nor the Combined Code nor the UK Corporate Governance Code will apply to the Company unless they are voluntarily adopted.

#### **Lock-in and Orderly Market Arrangements**

The market price of the Ordinary Shares could be affected by the sale of the Ordinary Shares by certain Shareholders following the expiry of the lock-in and orderly market periods, as detailed in the paragraph entitled "Lock-In Arrangements" in Part I of this document or the perception that these sales could occur.

#### **The Takeover Code**

The Takeover Code will not apply to the Company as further described in paragraph 11 of Part I of this document and therefore any takeover of the Company will be unregulated by the Takeover Panel. Whilst the Company has incorporated provisions in its Articles that seek to replicate certain effects of the Takeover Code, further details of which are set out below, third parties will not be obliged, and the Company will not be able to compel them, to comply with the Takeover Code.

#### **Cayman Islands company law**

The Company is an exempted company incorporated in the Cayman Islands. As a result, the rights of the Shareholders will be governed by the laws of the Cayman Islands and the Memorandum and Articles. The laws of the Cayman Islands relating to the protection of the interests of minority shareholders differ in some respects from those established under statutes or judicial precedent in existence in England. Such differences may mean that the Company's minority shareholders may have less protection than they would have under English law.

Set out below is a description of the certain relevant differences between the law and regulation affecting companies incorporated in England and the Cayman Islands:

- (i) Pre-emptive rights: Shareholders do not have statutory pre-emption rights under the Companies Law over further issues of shares of the Company. Certain restrictions on the ability of the Directors to allot Ordinary Shares are contained in the Articles, which may be amended by a special resolution of shareholders, as described in paragraph 4 of Part VI of this document.
- (ii) Takeovers: the Companies Law does not contain provisions similar to those in the Takeover Code which, *inter alia*, oblige a person or persons acquiring at least 30 per cent. of voting rights in a company to which the Takeover Code applies to make an offer to acquire the remainder of the shares in such company. The Articles incorporate provisions similar to those contained in Rule 9 of the Takeover Code, as described under the heading "The Takeover Code" above, but may be amended by a special resolution of the Shareholders.

- (iii) Disclosure of interests in shares: under the Companies Law, Shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of certain public companies incorporated in the United Kingdom are required to do. In particular, the Disclosure Rules do not apply. The Articles incorporate provisions similar to those contained in DTR 5, but may be amended by a special resolution of the Shareholders.

### **Investing company status**

The Company is currently considered an investing company under the AIM Rules. As a result it may benefit from certain partial carve-outs as to the AIM Rules such as those in relation to the classification of Reverse Takeovers (as defined in the AIM Rules). Were the Company to lose investing company status for any reason, such carve-outs would cease to apply. One consequence of losing investing company status would be that if the Company decides a further fundraising is required before purchasing a significant stake in a selected investee company or on re-investing the proceeds in a new investee company the transactions may be considered a Reverse Takeover. Certain stake building activities might also be considered a Reverse Takeover for the purposes of the AIM Rules, which would, amongst other things, require Shareholder approval of the stake building. In certain cases this may result in the name of the selected investee company or a new investee company becoming public knowledge before the Company has acquired its desired holding in either the selected investee company or a new investee company and thus lead to an increase in the price of shares in the relevant company.

### **Dividends**

There is no guarantee of a dividend on the Ordinary Shares, and the payment and growth or contraction of any such dividend will depend, amongst other things, on the availability of the financial resources, and distributable reserves of the Company.

### **Voting rights of holders of Depositary Interests**

Generally, securities issued by companies not incorporated in the UK, Republic of Ireland, the Isle of Man, Jersey and Guernsey, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through the CREST system, a depositary or custodian can hold the relevant securities and issue dematerialised depositary interests representing the underlying Ordinary Shares which are held on trust for the holders of these depositary interests. Under the Articles, only those persons who are Shareholders of record are entitled to exercise voting rights. Persons who hold Ordinary Shares in the form of depositary interests will not be considered to be record holders of Ordinary Shares that are on deposit with the Depositary and, accordingly, will not be able to exercise voting rights. However, the Deed Poll provides that the Depositary shall pass on, as far as it is reasonably able, rights and entitlements to vote. In order to direct the delivery of votes, holders of Depositary Interests must deliver instructions to the Depositary by the specified date. Neither the Company nor the Depositary can guarantee that holders of Depositary Interests will receive the notice in time to instruct the Depositary as to the delivery of votes in respect of Ordinary Shares represented by Depositary Interests and it is possible that they will not have the opportunity to direct the delivery of votes in respect of such shares. In addition, persons who beneficially own Ordinary Shares that are registered in the name of a nominee must instruct their nominee to deliver votes on their behalf. Neither the Company nor any nominee can guarantee that holders of Depositary Interests will receive any notice of a solicitation of votes in time to instruct nominees to deliver votes on behalf of such holders and it is possible that holders of Depositary Interests and other persons who hold Ordinary Shares through brokers, dealers or other third parties will not have the opportunity to exercise any voting rights.

### **Investor profile**

An investment in the Ordinary Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from that investment (taking into account the fact that those losses may be equal to the whole amount invested). Such an investment should be seen as medium to long term in nature and

complimentary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio. The value of shares can go down as well as up, any dividend returns can fluctuate widely and investors may not realise the value of their initial investment.

### **Additional capital and dilution**

The Company may require additional capital in the future for expansion and/or business development which may significantly dilute the interests of Shareholders at that time. If the Company is unable to obtain financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis, the percentage ownership of Shareholders may be reduced.

### **Taxation**

The attention of potential investors is drawn to paragraph 15 of Part VI of this document headed "Taxation". The tax rules, including stamp duty provisions and their interpretation relating to an investment in the Company may change during the life of the Company.

The levels of, and reliefs from, taxation may change. The tax reliefs referred to in this document are those that are currently available and their value depends upon the individual circumstances of investors. Any change in the Company's tax status or the tax applicable to holding Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Company, affect the Company's ability to provide returns to Shareholders and/or alter the post-tax returns to Shareholders. Statements in this document concerning the taxation of the Company and its investors are based upon current tax law and practice which is subject to change.

## **RISK FACTORS RELATING TO THE BUSINESS AND OPERATIONS OF THE COMPANY**

### **Reliance on the retention of management**

The Company will rely heavily on a small number of key individuals, in particular to identify, acquire and manage suitable assets, companies or businesses. The retention of their services cannot be guaranteed. Accordingly the loss of any Director or advisor may have an adverse effect on the Company's prospects.

### **Identifying and acquiring suitable investments**

The Company is recently formed, has only made one investment and has no operating history upon which to evaluate its likely performance. The Company's ability to implement its Investing Policy and achieve its desired returns will be limited by its ability to identify and acquire suitable investments. Suitable investment opportunities may not always be readily available. The Company's initial and future investments may be delayed or made at a relatively slow rate because, among other things:

- the Company intends to conduct detailed due diligence prior to approving investments;
- the Company may conduct extensive negotiations in order to secure and facilitate an investment;
- certain structures may need to be established in order to facilitate an investment;
- attractive investments may not be identified or available at the rate currently anticipated by the Company due to competition from other investors, market conditions or other factors; and
- the Company may need to raise further capital to make investments and/or fund the assets or businesses in which it has invested.

The Company cannot accurately predict how long it will actually take to deploy the capital available to it or at all. Precise timing will depend on, among other things, the availability of suitable direct investments, due diligence, negotiations with counterparties and investment structuring considerations.

In addition, the Company may face significant competition in identifying and acquiring suitable investments from other investors, including competitors who may have greater resources. Competition in the investment market may lead to prices for investments identified by the Company as suitable being driven up through competing bids by potential purchasers. Accordingly, the existence and extent of such competition may have a material adverse effect on the Company's ability to acquire investments at satisfactory prices and otherwise on satisfactory terms, thereby reducing the Company's potential profits.

Pursuant to the AIM Rules for Companies, if the Company has not substantially implemented its Investing Policy within eighteen months of Admission, the Investing Policy will be subject to approval by Shareholders at the next annual general meeting and annually thereafter.

### **Success of Investing Policy not guaranteed**

Returns achieved are reliant upon the performance of the assets of the Company and the Investing Policy followed. The success of the Investing Policy depends on the Directors' ability to identify investments in accordance with the Company's investment objectives and to correctly interpret market data. No assurance is given that the strategy to be used will be successful under all or any market conditions or that the Company will be able to identify opportunities meeting the Company's investment criteria and that the Company will be able to invest its capital on attractive terms and generate returns for investors.

### **Ongoing effects of economic downturn**

The global financial markets have recently experienced significant disruptions as a number of large financial institutions have failed, have been supported by national governments or have merged into other organizations creating unprecedented uncertainty and instability. With global credit markets experiencing substantial disruption and liquidity shortages, financial instability has penetrated the markets where investee companies may be located and the subsectors that they operate in. There can be no assurances that conditions in the global financial markets will not worsen and/or adversely affect the Company's ability to exit, or secure follow on investment for, future investee companies. The inability of the Company to exit, or to exit on attractive terms, will mean the Company will not be able to generate returns for investors.

### **Concentration of risk**

There can be no assurance that the actual investment opportunities which the Directors are able to source for the Company will not lead to concentration of risk. To the extent that the Company's investments are concentrated in any region, country or asset class, downturns affecting the source of the concentration may result in a total or partial loss on such investments and have a material adverse effect on the Company's performance.

Upon Admission, the Company will have one investee company and accordingly the Company's investment in Victory will represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will be more severely adversely affected if the investment in Victory performs badly than would be the case if the Company's portfolio of investments was more diversified.

### **Conflicts of interest**

Certain Directors have other interests in China. The Company may, from time to time, invest in companies where such Directors are already interested, but only after approval of the independent Directors and subject to compliance with the AIM Rules for Companies. In so doing, the Company may choose to acquire the interests of those Directors. The Company will seek to conduct such transactions on arm's length commercial terms, under conditions consistent with fair market value and industry practice and the transactions will be subject to the AIM Rules for Companies and approval of independent Directors. Notwithstanding such procedures, there remains a risk that such transactions

may benefit such Directors or may be to the detriment of the Company to an extent which is greater than would be the case if the transactions were with independent parties.

### **Exposure to emerging markets**

The Company intends to focus on investments within the Greater China Region which is not as politically or financially secure as developed markets. Future growth of any portfolio company operating in the Greater China Region is dependent on political, economic, regulatory and social conditions in the Greater China Region. Any changes in policies implemented by the governments in the Greater China Region, currency and interest rate fluctuations, exchange controls and changes in duties and taxation could materially and adversely affect operations, financial performance and future growth of prospective portfolio companies in the Greater China Region.

### **Investments in private companies are subject to a number of risks**

The Company may invest in or acquire privately held companies or assets. These may (a) be highly leveraged and subject to significant debt service obligations, stringent operational and financial covenants and risks of default under financing and contractual arrangements which may adversely affect their financial condition; (b) have limited operating histories and smaller market shares than larger businesses making them more vulnerable to changes in market conditions or the activities of competitors; (c) have limited financial resources; (d) be more dependent on a limited number of management and operational personnel, increasing the impact of the loss of any one or more individuals; (e) have limited public information available; (f) have less predictable operating results; and (g) require additional capital. All of these factors may have a material adverse effect on the Company's performance, which could reduce the value of the Ordinary Shares.

### **Material facts or circumstances not revealed in the due diligence process**

Prior to making or proposing any investment, the Company will undertake legal, financial and commercial due diligence on potential investments to a level considered reasonable and appropriate by the Company on a case by case basis. However, these efforts may not reveal all material facts or circumstances which would have a material adverse effect upon the value of the investment. In undertaking due diligence, the Company will need to utilise its own resources and may be required to rely upon third parties to conduct certain aspects of the due diligence process. Further, the Company may not have the ability to review all documents relating to the investee company and assets. In circumstances where the Company is not the lead co-investor, it may need to rely upon the due diligence carried out by the lead investor. Any due diligence process involves subjective analysis and there can be no assurance that due diligence will reveal all material issues related to a potential investment which might be necessary or helpful in evaluating a potential investment.

### **Further funding**

When a suitable investment is identified, it is possible that the Company will need to raise further capital either to purchase such investment and/or facilitate the development of such investment. There is no guarantee that the Company will be able to raise such capital, and this may prejudice the Company's ability to invest in and develop investments.

### **The Company is a new company with a limited operating history**

The Company was incorporated on 4 March 2014 and has a limited track record and operating history. The Company is subject to all of the business risks and uncertainties associated with any new business enterprise including the risk that the Company will not achieve its investment objectives and that the value of an investment in the Company could decline and may result in the total loss of all capital invested. The past performance of companies, assets or funds managed by the Directors, or persons affiliated with them in other ventures is not necessarily a guide to the future performance of the Company.

**Dependence on third party services**

The Company may rely on products and services provided by third parties, such as undertaking due diligence and technical reviews and providing general financial and strategic advice. If there is any interruption to the products or services provided, or failure to perform these services with due care and skill by such third parties or those products or services are not as scalable as anticipated, or if there are problems in upgrading such products or services as the Company may require, the Company's business could be adversely affected and the Company may be unable to find adequate replacement services on a timely basis, if at all, and/or on acceptable commercial terms.

**The Company may experience fluctuations in its results**

The Company may experience fluctuations in its operating results due to a number of factors, including the rate at which the Company makes new investments, the interest rates payable on debt capital, the level of expenses, variations in and the timing of the recognition of realised and unrealised gains or losses, the degree to which it encounters competition in sourcing suitable investment opportunities and general economic conditions. Accordingly, results for any period should not be relied upon as being indicative of performance in future periods.

**No assurance of profitability**

The expenses of operating the Company may, at times, exceed the Company's income, thereby requiring that the difference be paid from the Company's capital. Initially the Company will have no income save for any interest earned on cash reserves.

**Borrowings**

The Company may, from time to time, raise capital for investments or borrow for short term capital purposes. There is no guarantee that the Company will be able to obtain financing upon appropriate terms and conditions or at all. The companies in which the Company invests may also have borrowings or otherwise be geared or leveraged. Although such facilities may increase investment returns, they also create greater potential for loss. This includes the risk that the borrower will be unable to service the interest repayments, or comply with other requirements, rendering the debt repayable, and the risk that available capital will be insufficient to meet required repayments. There is also the risk that existing borrowings will not be able to be refinanced or that the terms of such refinancing will not be as favourable as the terms of existing borrowings. A number of factors (including changes in interest rates, conditions in the banking market and general economic conditions which are beyond the Company's control) may make it difficult for the Company or its investee companies to obtain new financing on attractive terms or even at all.

**Early stage of development**

The Company may make investments in entities and assets at a relatively early stage of development. Although the Company will seek, where appropriate, active management involvement in the underlying investee companies or assets, there can be no assurances that such companies or assets will successfully develop or that the resources they have will be suitable for commercialization. Such entities and assets may require the injection of further capital at a level which the Company or any third party may consider that it is unable to meet.

**Currency risks**

The Company may make investments in currencies other than Renminbi or British Pounds and the Company does not intend to hedge against exchange rate fluctuations. Accordingly, the value of such investments may be adversely affected by changes in currency exchange rates notwithstanding the performance of the investments themselves.

The Company is incorporated in the Cayman Islands as an exempted company and has tax neutral status in this jurisdiction. The Directors intend to maintain that status. Should any tax authority challenge that

status the Directors intend to defend the Company's tax position. However, should that status be challenged successfully at any time the Company's profits and/or capital gains may be subject to taxation at a higher rate than is payable under its current status.

Statements in this document concerning the taxation of the Company and its investments and the taxation of Shareholders are based upon current tax law and practice which is subject to change.

### **Not regulated**

The Company is not (nor are its personnel) subject to regulation by the Financial Conduct Authority in the UK or any equivalent authority in the Cayman Islands. Accordingly, the Company will not be subject to the requirements applicable to persons who are authorised by the Financial Conduct Authority or any equivalent authority in the Cayman Islands to provide investment management and similar services in the United Kingdom or the Cayman Islands. As an exempted company, the Company will not be able to conduct business in the Cayman Islands.

## **RISK FACTORS RELATING TO INVESTING IN CHINA**

### **Developing Nature of PRC's Legal System**

The Company's investments in the PRC may be governed by Chinese law and the Company may need to resort to the Chinese legal system for settlement of disputes. The PRC still lacks a fully developed legal and judicial system and the body of commercial law and practice typically found in jurisdictions with more sophisticated market economies. PRC laws and regulations, as well as the interpretations and implementations thereof, in particular those concerning foreign investments and taxation, can change quickly and/or unpredictably. The judicial and civil procedure laws and practices in China are complex and may be unwieldy. Courts in China may lack experience in commercial dispute resolution, may be subject to political or other influence, and many of the procedural remedies for enforcement and protection of legal rights found in more developed jurisdictions may not be available in China. The extent to which local parties and entities, including local governmental agencies, will recognise the contractual and other rights of the parties with which they deal is uncertain. The Company may therefore be unable to protect and enforce its rights (including with respect to legal and management control) against local governmental and private entities to the extent it would in jurisdictions with more developed legal systems. In addition, it may be more difficult, time consuming and expensive to obtain and/or enforce a judgment in a court in China, compared with more developed countries.

### **Investment Restrictions**

China has laws and regulations that, to varying degrees, preclude or restrict direct foreign investment in the securities of resident companies, limit the types of securities that foreigners may purchase, or limit foreign investors to special investment structures. Prior governmental approval for foreign investments in China will be required and the extent of foreign investment in domestic companies may be subject to limitation. Certain industries have been classified by administrative authorities in China as restricted or prohibited industries for foreign investment, and the list of those restricted and prohibited industries may change from time to time. Foreign ownership limitations also may be imposed by the charters of individual companies. Such restrictions may limit the investment opportunities available to the Company and inhibit the Company's ability to implement its investment strategy or reach its investment goals.

### **Inflation**

In the past China has experienced substantial rates of inflation. Inflation and rapid fluctuations in inflation rates have had, and may continue to have, negative effects on the economies and securities markets in China. Furthermore, in an attempt to stabilise inflation, China has previously imposed price controls. Past governmental efforts to curb inflation have also involved more drastic or heavy-handed economic measures which had a materially adverse effect on the level of economic activity. There can be no assurance that the PRC government will be able to continue to exercise effective control over

inflation rates or that a high rate of inflation will not have a materially adverse effect on the Company's investments.

### **New Sector Risk**

Private equity in China is in its nascent stages, and in this respect it should be considered riskier than other more established asset classes. Additionally, given the sector's short history, it may be difficult for a shareholder to assess the potential future performance and risks associated with expanding investments in China's private equity market.

### **Insurance Coverage**

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. If a business financed by the Company is unable to obtain business liability or disruption insurance, any business disruption, litigation or natural disaster might result in substantial costs and diversion of resources.

### **Bankruptcy**

The enactment in August 2006 of China's new Bankruptcy Law expanded the scope of Chinese bankruptcy law from state-owned enterprises to include private companies, as well as giving priority to the rights of secured creditors in the foreclosure of secured assets. However, despite these advances, there can be no assurance regarding the implementation of the new Bankruptcy Law, and Chinese bankruptcy law remains underdeveloped as compared to the United States and other OECD-member countries. These factors, together with the lack of transparency in China's judicial system and local protectionism, may prevent the Company from accurately anticipating the outcome of any bankruptcy proceedings in China.

### **Government policies and legislation**

The introduction of new policies or legislation or amendments to existing policies or legislation by China's governments or the interpretation of those laws in jurisdictions under which investee companies operate could have an adverse impact on the assets, operations and ultimately the financial performance of investee companies.

### **Political relations between international community and China**

The relationship between China and the rest of the international community may change over time. Change in political conditions in China may lead to less liberal or less business friendly investment policies. Changes in political conditions in China may also lead to the implementation of embargoes or economic sanctions by developed countries against Chinese companies or companies doing business in China, which in turn could result in investee companies prematurely terminating their business arrangements, or require the Company to sell its investments at less than fair market value or prevent the repatriation of the sale proceeds from any termination or dissolution of the Company's business arrangements.

### **State ownership**

The Chinese economy has been undergoing a transition from a planned and centrally-controlled economy to a more market-oriented and privately-owned economy. Although in recent years the Chinese government has implemented economic reforms and reduced state ownership and established better corporate governance in commercial enterprises, a substantial portion of productive assets in China are still owned by the Government directly or indirectly. In addition, the Government continues to play a significant role in regulating industry by imposing industrial policies. It also exercises significant control over economic growth through the allocation of resources, control of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies. It is unclear how future economic reforms will affect the

development of China as there is no assurance that new macro-economic measures will be applied consistently and/or effectively or that an investee company would benefit from such reforms. Indeed the future earnings of investee companies could be affected if the Government were to reverse recent trends and impose restrictions which affect (directly or indirectly) the businesses of investee companies.

### **Government economic intervention**

The Chinese economy has experienced uneven growth both geographically and between various sectors of the economy. The Government has implemented various measures from time to time to control the rate of economic growth (including tightening control over investments in certain sectors) and could continue do so in the future. Some of these measures may have a negative effect on investee companies. For example, the operating results of an investee company and its financial position may be adversely affected by changes in the rates or methods of taxation and imposition of additional restrictions on currency conversion and remittances abroad.

### **Foreign exchange controls**

Foreign exchange transactions (including the repatriation of investment returns and capital) continue to be subject to foreign exchange controls imposed by the State Administration of Foreign Exchange (“SAFE”) as the RMB is not freely convertible to other foreign currencies. The external value of the RMB is subject to policy changes of the Chinese Government. Whilst the RMB exchange rate regime is a managed floating rate based on market supply and demand with reference to a basket of currencies, the People’s Bank of China has the authority to periodically adjust the RMB exchange rate band which can cause significant fluctuations to exchange rates. In addition financial markets in many Asian countries have a tendency to be more volatile and certain currencies have been subject to significant devaluation in the past.

Currently no Chinese Government approval is required to repatriate profits and dividends out of China to foreign shareholders. Capital may also be repatriated after the capital decrease has been approved by the relevant authorities. However, there is the risk that in the event any investee company fails to obtain such approval, capital will not be repatriated. In addition, any relaxation or abolition of exchange controls may give rise to capital outflows from China which could, among other things, adversely affect the strength of the RMB and the availability and cost of funding in China and could give rise to higher interest rates, thereby adversely affecting the Chinese economy and correspondingly adversely affecting investee companies.

### **M&A Rules**

On 8 August 2006, six PRC regulatory agencies, including the Ministry of Commerce (“MOFCOM”) and China Securities Regulatory Commission (the “CSRC”) jointly promulgated the *Rules on Mergers and Acquisition of Domestic Enterprises by Foreign Investors* (the “M&A Rules”) that became effective on 8 September 2006 (“Effective Date of the M&A Rules”).

The M&A Rules provide that the acquisition by any offshore special purpose vehicle established by PRC resident individual(s) for the purpose of acquiring equity interests in PRC-incorporated companies which are owned directly or indirectly by the same PRC resident individuals to obtain the approval of the central MOFCOM prior to engaging in such acquisitions and to obtain the approval of the CSRC prior to publicly listing their securities on an overseas stock market. The application of the new regulations to special purpose vehicles which have duly established foreign invested enterprises incorporated prior to the Effective Date of the M&A Rules to acquire PRC domestic enterprises is unclear.

The Company’s PRC lawyers have advised that the MOFCOM and CSRC approvals under the M&A Rules were not required in the context of the Victory corporate structure because Victory WFOE controls Victory China through contractual arrangements, instead of equity acquisition regulated under the M&A Rules. However, the PRC lawyers have also advised that the above implementation of the

M&A Rules are not well tested in practice and given the uncertainties regarding the interpretation and application of current or future PRC laws, there is no assurance that the above understanding of the regulations is consistent with those of PRC central authorities. Furthermore, there is no assurance that the PRC regulatory authorities would not change, amend, or replace the regulations and the other relevant rules in the immediate future or in the longer term with or without retroactive effect and effective immediately on promulgation. The failure to comply with PRC regulations relating to the M&A Rules may subject Victory to severe fines or penalties and create other regulatory uncertainties regarding the Victory structure.

### **Mergers and Acquisition Review for National Economic Security Purpose (the “Security Review”)**

On 3 February 2011, the General Office of the State Council promulgated the Notice of the General Office of the State Council on the Establishment of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “Security Review Notice”) which became effective on 3 March 2011 (the “Effective Date of the Security Review Notice”).

According to the Security Review Notice, mergers and acquisitions of a domestic enterprise that result in a foreign investor acquiring controlling power of a business in certain industries shall be reviewed by a joint meeting led by the State Council (the “Security Review”).

On 25 August 2011, the Ministry of Commerce (the “MOFCOM”) promulgated Announcement No. 53 2011 – Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the “Announcement 53”). Announcement 53 requires that it is the foreign investor’s responsibility to apply for approval from MOFCOM where the Security Review applies and whether a merger or acquisition is subject to the Security Review shall be determined from the substance and actual impact of the transaction. No foreign investor shall substantially evade the Security Review in any form, including but not limited to holding shares on behalf of others, trust, multi-level reinvestment, leases, loans, control by contractual arrangements and overseas transactions.

The Company’s PRC lawyers have advised that the business of Victory China does not fall within the ambit of the Security Review thus MOFCOM approval is not required for the contractual arrangements in relation to Victory.

### **The negative effect arising from the uncertainty of the M&A Rules and the Security Review in relation to future investments involved in the restructuring process in the PRC**

Under the M&A Rules and the Security Review, there are stringent requirements in relation to restructuring a PRC domestic enterprise to a Foreign Invested Enterprise (“FIE”) for overseas financing and listing purposes.

The Company may invest in domestic PRC companies after first restructuring them into FIEs. Such restructuring may be subject to the approval of the Ministry of Commerce of the PRC, its local branches and other PRC regulatory authorities. There is a possibility that the Company or the investee company may not be able to satisfy all the regulatory requirements under PRC law and regulations. The approval process of restructuring is not only time-consuming but also presents opportunities for the authorities to scrutinise the contractual arrangements in relation to Victory and other investment projects. Meanwhile, various specific PRC legal requirements (such as asset appraisal and SAFE registration) may also apply to the restructuring process and may add further complexities and variables to the process.

Even where the proposed restructuring appears feasible under current PRC law and regulations, the number of elements, such as the size, locality, approval level, industry, complexity, and sensitivity involved in the restructuring can significantly affect and lengthen the approval period. The uncertainty

involved in the restructuring process may restrict the Company's ability to secure new projects which could have a material adverse effect on its future business operations.

### **Recent PRC regulations relating to the establishment of offshore special purpose companies by PRC residents**

On 4 July 2014, SAFE promulgated the Circular Regarding Foreign Exchange Control for Overseas Investment and Financing and Offshore-Domestic Investments by Domestic Residents through Special Purpose Vehicles ("Circular 37"), which repealed the previous Circular Regarding Foreign Exchange Control for Fundraising and Offshore-Domestic Investments by Domestic Residents through Overseas Special Purpose Vehicles ("Circular 75") issued by SAFE on 21 October 2005. Circular 37, subject to the rules therein, allows a PRC domestic enterprise or a PRC natural person ("PRC Resident") to transfer their domestic or overseas assets or interest to a foreign special purpose vehicle ("SPV"). Circular 37 requires PRC Residents to register with the local SAFE branch before contributing to the SPVs with their domestic or overseas assets or interests (the "Circular 37 Initial Registration"). According to Circular 37, PRC Residents are under continuing obligation to modify the Circular 37 Initial Registration after basic information changes including but not limited to the individual PRC Resident's name, business term, or material changes including but not limited to individual PRC Resident's capital increase, capital reduction, equity transfer or alterations of share capital, merger or division (the "Circular 37 Amendment Registration", the Circular 37 Initial Registration and the Circular 37 Amendment Registration are collectively referred to as the "Circular 37 Registration"). The Company's PRC lawyers have reviewed and confirmed that all PRC shareholders of Grand Group and Victory Shareholders have completed the Circular 75 Initial Registration for their investment in Grand Group and Victory Cayman before the Circular 37 has been promulgated, and the PRC shareholders of Grand Group and Victory Shareholders are under the process of transacting the SAFE Circular 37 Amendment Registration.

The Company will carry out due diligence on the companies in which it will invest, including diligence on the identity of existing shareholders of investee companies but it cannot ensure that it will be fully informed of the identities of all the shareholders of investee companies who are PRC residents or controlled by PRC residents. Moreover, it does not have control over shareholders of investee companies and cannot assume nor rely on the fact that these PRC residents will comply with Circular 37.

The failure by those PRC residents who are shareholders or controlling beneficial owners of investee companies, which are incorporated outside the PRC but have had subsidiaries in the PRC, to register or amend their SAFE registrations in a timely manner pursuant to Circular 37 or the failure of such PRC residents to comply with the registration procedures set out in Circular 37 may subject such PRC residents or the relevant PRC subsidiaries, to fines and legal sanctions and may also limit the Company's ability to contribute capital to the PRC subsidiaries of the relevant investee company, limit the relevant PRC subsidiaries' ability to distribute dividends to the Company or otherwise materially and adversely affect the business of the Company.

### **Expansion risks**

There are potential risks associated with rapid economic growth of the magnitude China is currently experiencing. Business infrastructure, including logistics and supply chains, human resources and training, competition for real estate and locations, among others, may create bottlenecks for business growth, thereby delaying an investee company's ability to achieve its projections and consequently reducing the value of the investment into it. It is not possible for financial projections, upon which the Company's investment decisions are made, to account for all factors that may affect the ability of an investee company to grow its business as planned.

### **Protection of intellectual property rights**

The Company's investee companies may rely on intellectual property laws in China to protect their copyright, trademark and brands. There is some risk that counterfeiting or imitation could occur and any intellectual property disputes could have a materially adverse economic effect on the investee company.

### **Business licences**

Certain members of the Group are required to maintain business licences or permits which are of limited duration and which are subject to annual inspections by the governing authorities in China. No guarantee can be given that Group members will pass such inspections or that they will be able to renew their business licences or permits at the appropriate times. If a Group member loses its business licence or permit or fails to renew it upon expiry the operations and results of the Group could be materially adversely affected.

### **Restrictions on foreign investment and market access**

Government policies and regulations in the PRC continue to impose certain restrictions on foreign investment in terms of market access to certain industries and business sectors. Such restrictions may take the form of additional or stricter governmental approval requirements for FIEs to enter certain industries and business sectors or heightened enforcement of existing rules prohibiting or restricting FIEs from conducting business or undertaking projects in certain industries or business sectors that are open to Chinese domestic enterprises. Restrictions imposed by governmental authorities in the PRC to curtail the value added business activities by foreign entities and FIEs in the telecommunication service sector. The existence and implementation of such restrictions may have an adverse impact on the business operations and performance of investee companies in the event any of the investee companies fail to gain market access to certain industries or business sectors due to such restrictions. Further, until the policies and regulations in the PRC are changed, the Company will not be able to directly control such businesses restricted or prohibited to foreign investment. The Company can only participate in businesses in such prohibited or restricted industries by contractual arrangements with eligible Chinese domestic entities.

### **Market Perception**

Market perception of the Company could change which would affect the value of an investor's holdings and possibly the ability of the Company to raise further funds if desired.

### **Chinese Regulation**

The Chinese government has the ability to change the regulatory framework without notice or cause regulations to be interpreted or enforced differently because of guidance which the PRC government may issue from time to time. This can mean businesses operating in such an environment may fail to meet current regulatory requirements, despite having the best of intentions to do so. PRC authorities conduct *ad hoc* inspections, examinations and enquiries in respect of compliance with regulatory requirements.

### **RISK FACTORS RELATING TO VICTORY (and also to Grand by virtue of its investment in Victory)**

**Set out below are the risks which the Directors believe to be the principal risk factors associated with Victory. It should be noted that this list is not and cannot be exhaustive and that other risks may apply to the Company's investment in Victory. If any of the following risks actually occur, the value of the Company's investment in Victory may be materially adversely affected. In such circumstances, the trading price of the Ordinary Shares of the Company could decline and a Shareholder may lose all or part of his investment.**

**There can be no certainty that Victory will be able to implement successfully the strategy set out in Part II of this document. Additional risks and uncertainties not currently known to the Directors or which the Directors currently deem immaterial, may also have an adverse effect on Victory and therefore the Company.**

**This document contains forward-looking statements that involve risks and uncertainties. Victory's actual results could differ materially from those anticipated in the forward-looking**

**statements as a result of many factors, including the risks faced by Victory which are described below and elsewhere in this document.**

### **Education Sector in China**

The education sector is highly regulated under PRC laws and regulations. Neither Victory Cayman nor Victory WFOE is qualified to invest in or run education services in China. Victory WFOE conducts its business in China through contractual arrangements with Victory. Victory currently does not hold the relevant education permits to conduct education services in China, however it is focusing on the research and development of vocational training video courses rather than delivery of teaching and the Company has been advised by PRC legal counsel that Victory accordingly does not need to obtain the relevant education permits for its current business activities. The PRC regulatory authorities may come to a different view and determine that the type of business currently carried out by Victory in breach of any existing or future PRC laws, rules or regulations applicable to the education sector.

### **Private ownership of educational institutions**

The Chinese Government may not maintain its current policy which allows private ownership of educational institutions.

The introduction of new policies or legislation or amendments to existing policies or legislation by China's governments or the interpretation of those laws in jurisdictions in the education sector could have an adverse impact on the assets, operations and ultimately the financial performance of Victory.

### **Dependence on TMC contract and increased competition**

Although sourced from various educational institutions, all of Victory China's revenues to May 2014 derived from its contractual relationship with the TMC. Termination of this contract or loss of Victory China's current exclusivity in the metallurgy sector, which would expose it to greater competition, could materially adversely affect the results of Victory China. The size of the TMC management fee is set by the National Metallurgy Committee of the NVTTC and Victory China has limited ability to change the pricing charged to course users. Any increases in the TMC management fee might materially adversely affect Victory China's revenues.

### **Diversification**

Whilst Victory China has received initial revenues from the China nuclear sector, it may not be able to realise its ambition of expanding into new industrial sectors, thereby curtailing growth and profitability. Victory's contracts with WCA and Jimei University are not exclusive and each bears a term of 10 years. Although the contracts are renewable subject to the meeting of minds, there is no assurance for successful renewal upon the expiry.

### **Urbanisation slowing**

Current "urban migration" patterns in China may slow or even stop, which would curtail the growing size and volume of the market Victory seeks to address.

### **Non payment of social insurance and housing fund**

Victory China did not start to make the required allocations to all its employees' social insurance funds including the pension fund, medical insurance and insurances for unemployment, maternity and work related injuries. Similarly, Victory China has not contributed to the housing fund for its employees and does not have an employees' housing fund registration certificate. The exposure to Victory China resulting from such failures is unknown; however the Directors believe that it is limited. The directors of Victory China have provided an indemnity to the Company in respect of any liability of the Company arising as a result of a claim for payment of various employees' social benefits, including the social security fund and housing fund, and any interest, fees or penalties in relation to such payments, as more fully described in paragraphs 1.20 of Part II and 8 of Part VI of this document.

### **Leased premises**

Victory has leased office premises in Wuxi. However the landlord has not provided the company with evidence of the proper legal title as to the leased premises and Victory may need to relocate should there be a title defect by the landlord.

### **Intellectual Property Ownership**

Victory relies on the protection of its intellectual property rights in the course of conducting its business. There can be no assurance that any of its intellectual property rights will not be challenged, misappropriated or circumvented by third parties. In addition, the legal regime governing intellectual property in the PRC is still evolving and the level of protection of intellectual property rights in the PRC may be weaker than that of other jurisdictions. As such, it may be possible for third parties to infringe upon its intellectual property rights by copying or otherwise obtaining and using their intellectual property. Any misappropriation or infringement of its intellectual property rights or difficulty in enforcing such rights may have a material and adverse impact on its businesses, which may in turn materially and adversely affect the Company's results.

### **VIE Structure**

As advised by the Company's PRC lawyers, the Company understands that the structure for Victory operating their business in China, including the contractual arrangements in relation to Victory China, do not violate, breach, contravene or otherwise conflict with any applicable PRC laws, rules or regulations. However, due to the uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations, including but not limited to the laws, rules and regulations with respect to the validity and enforcement of the contractual arrangements, there is an inherent risk of challenge by PRC regulatory authorities who may determine otherwise.

If the contractual arrangements of Victory in relation to Victory China are found to be in violation of any existing or future PRC laws, rules or regulations including defects in registration, the VIE structure may be incapable of enforcement and full ownership may revert to shareholders of Victory China.

As PRC law and regulations prohibit foreign control of companies involved in internet content, the Company is unable to take a direct equity interest in its sole investment, Victory China. Currently, the Company has an indirect interest in Victory China through a series of contractual arrangements (the VIE Agreements) entered into between Victory WFOE, Victory China and its shareholders, further details of which are set out in Part II of this document.

In the opinion of the Company's management, the VIE Agreements provide Victory WFOE with the ability to control Victory China and the entitlement to substantially all of the economic benefits from Victory China. Therefore, indirectly, the VIE Agreements provide the Company with an effective 33% investment in Victory China.

Furthermore, in the opinion of the Company's PRC legal counsel, the VIE Agreements do not violate any current applicable PRC laws, rules and regulations.

However, due to the uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations, including but not limited to the laws, rules and regulations with respect to the validity and enforcement of the VIE Agreements or the contractual arrangements, the risk of being challenged by PRC regulatory authorities may not be completely ruled out.

If the Company's ownership structure and the VIE Agreements were found to be in violation of any existing or future PRC laws or regulations by the relevant regulatory authorities, the Company may be subject to penalties, which may include but not be limited to, revocation of the business licenses or operating licenses of its PRC associates or that of Victory China, being required to restructure the Company's operations or discontinue the Company's operating activities. If any of these penalties result

in its inability to receive economic benefit from Victory China, the Company's investment in Victory China may be impaired.

In addition, if Victory China or its shareholders fail to perform their obligations under the VIE Agreements, the Company and its investee companies may have to incur substantial costs and expend resources to enforce the Company's rights under the contracts. The Company and its associates may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. All of these VIE Agreements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in PRC is not as developed as in other jurisdictions, such as the United Kingdom. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these VIE Agreements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event the Company and its associates are unable to enforce these VIE Agreements, the Company may not be able to receive economic benefit from Victory China and its investment in Victory China may be impaired.

#### **Minority Control Limitation**

Grand Group does not have a controlling shareholding in Victory China and does not control the Victory China board. There is no shareholders' agreement so the Company only has the protections afforded by the laws of China and no enhanced contractual protections.

**PART V**  
**FINANCIAL INFORMATION**

**SECTION A: ACCOUNTANTS' REPORT ON THE COMPANY**

**MOORE STEPHENS**

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The Directors  
ZAI Corporate Finance Limited  
1 Hobhouse Court  
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SW1W 4HH

27 January 2015

Dear Sirs

We report on the financial information of Grand Group Investment PLC (“Grand Group” or the “Company”) set out below. This financial information has been prepared for inclusion in the admission document dated 27 January 2015 (the “Admission Document”) of the Company on the basis of the accounting policies set out in note 3. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (“the AIM Rules”) and is given for the purpose of complying with that Schedule and for no other purpose.

**Responsibilities**

The directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 3 of the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at 30 June 2014 and of its loss, cash flow and change in equity for the period from 4 March 2014 (date of incorporation) to 30 June 2014 in accordance with the basis of preparation set out in note 3 to the financial information and in accordance with International Financial Reporting Standards as described in note 3 to the financial information.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Moore Stephens LLP**  
*Chartered Accountants*

**STATEMENT OF COMPREHENSIVE INCOME**  
**For the period from 4 March 2014 (date of incorporation) to 30 June 2014**

	<i>Period from 4 March 2014 to 30 June 2014</i>
	<i>Note</i> <i>RMB'000</i>
Administrative expenses	(4,608)
<b>Total comprehensive loss for the financial period</b>	<b>(4,608)</b>
<b>Loss per share – basic and diluted</b>	11 <b>(4.6)</b>

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2014**

	<i>Note</i>	<i>30 June 2014 RMB'000</i>
<b>Assets</b>		
<i>Non-current assets:</i>		
Unquoted financial assets at fair value through profit or loss	4	196,000
		<u>196,000</u>
<i>Current assets:</i>		
Cash and cash equivalents		10
		<u>10</u>
<b>Total assets</b>		<b><u><u>196,010</u></u></b>
<b>Equity and liabilities</b>		
<i>Shareholders' Equity:</i>		
Share capital	6	10
Accumulated losses		(4,608)
Contributed capital	7	196,000
<b>Total equity</b>		<u>191,402</u>
<i>Current liabilities:</i>		
Other payables and accruals	8	980
Amounts due to shareholders	5	3,628
<b>Total liabilities</b>		<u>4,608</u>
<b>Total equity and liabilities</b>		<b><u><u>196,010</u></u></b>

**STATEMENT OF CHANGES IN EQUITY****For the period from 4 March 2014 (date of incorporation) to 30 June 2014**

	<i>Share capital RMB'000</i>	<i>Accumulated losses RMB'000</i>	<i>Contributed capital RMB'000</i>	<i>Total RMB'000</i>
<b>On incorporation</b>	10	—	—	10
Total comprehensive loss for the period	—	(4,608)	—	(4,608)
Capital contribution	—	—	196,000	196,000
<b>30 June 2014</b>	<b>10</b>	<b>(4,608)</b>	<b>196,000</b>	<b>191,402</b>

## STATEMENT OF CASH FLOWS

For the period from 4 March 2014 (date of incorporation) to 30 June 2014

	<i>Period from 4 March 2014 to 30 June 2014 RMB'000</i>
<i>Cash flows from operating activities</i>	
Loss before tax	(4,608)
Increase in other payables and accruals	980
<b>Net cash outflow from operating activities</b>	<b>(3,628)</b>
 <i>Cash flows from financing activities</i>	
Cash proceeds from issue of shares	10
Loan from shareholders	3,628
<b>Net cash inflow from financing activities</b>	<b>3,638</b>
 <b>Net increase in cash and cash equivalents</b>	<b>10</b>
Cash and cash equivalents at the beginning of period	—
<b>Cash and cash equivalents at the end of period</b>	<b>10</b>

### *Non-cash transaction*

During the period the Company made a investment of RMB 196m in Wuxi Victory & Culture Co., Ltd through a VIE and WFOE arrangement as detailed per note 4.

## **NOTES TO THE FINANCIAL INFORMATION**

**For the period from 4 March 2014 (date of incorporation) to 30 June 2014**

### **1. GENERAL INFORMATION**

The financial information set out herein is in respect of Grand Group Investment PLC (“Grand Group” or the “Company”) for the period from 4 March 2014 (date of incorporation) to 30 June 2014 and has been prepared by the directors of the Company (the “Directors”).

The Company was incorporated on 4 March 2014 and is domiciled in the British Cayman Islands and its registered office is 89 Nexus Way, Camana Bay, KY1-9007, British Cayman Islands. The principal place of business is Room 2023, South Building, Lihu Technology Innovation Center, No. 11, Wuhu Road, Wuxi City, Jiangsu Province, PRC.

On 4 September 2014, it was resolved by the shareholders that the Company change its name from Grand Group Investment Limited to Grand Group Investment PLC.

### **2. PRINCIPAL ACTIVITIES**

The Company is a value-added and technology innovation private equity investment vehicle, which principally focuses on investing in small & medium sized enterprises in the People’s Republic of China.

### **3. ACCOUNTING POLICIES**

#### **a) Basis of Preparation**

The financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which collective term includes all applicable individual IFRS, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

The financial information has been prepared under the historical cost convention, and is presented in Renminbi (“RMB”), rounded to the nearest thousand, unless otherwise stated.

#### **b) Revenue recognition**

Revenue is recognised when it is probable that the economic benefits will flow to the Company and when the revenue can be measured reliably and on the following basis:

- Dividend income is recognised when the Company’s right to receive payment is established.

#### **c) Financial instruments**

Financial assets and financial liabilities are recognised on the Statement of Financial Position when a company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value.

Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

## **Unquoted financial assets at fair value through profit or loss**

### *Classification*

The Company classifies its unquoted financial assets as financial assets at fair value through profit or loss. These financial assets are designated by the Directors as at fair value through profit or loss at inception.

Financial assets designated as at fair value through profit or loss at inception are those that are managed as part of an investment portfolio and their performance evaluated on a fair value basis in accordance with the Company's investment strategy.

### *Recognition/derecognition*

Purchases and sales of investments are recognised on the trade date – the date on which the Company commits to purchase or sell the investment.

A fair value through profit or loss asset is derecognised when the Company loses control over the contractual rights that comprise that asset. This occurs when rights are realised, expire or are surrendered and the rights to receive cash flows from the investments have expired or the Company has transferred substantially all risks and rewards of ownership. Realised gains and losses on fair value through profit or loss assets sold are calculated as the difference between the sales proceeds and cost. Fair value through profit or loss assets that are derecognised and corresponding receivables from the buyer for the payment are recognised as of the date the Company has transacted an unconditional disposal of the assets.

### *Measurement*

Financial assets at fair value through profit or loss are initially recognised at fair value. Transaction costs are expensed through the profit or loss. Subsequent to initial recognition, all financial assets at fair value through profit or loss are measured at fair value in accordance with IFRS 13 'Fair value measurement'. For determining a suitable valuation technique the company applies International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines, as the Company's business is to invest in financial assets with a view to profiting from their total return in the form of capital growth and income.

Gains and losses arising from changes in the fair value of the financial assets at fair value through profit or loss are presented in the period in which they arise.

### *Other payables and accruals*

Other payables and accruals are not interest bearing and are stated at their fair value.

### *Cash and cash equivalents*

For the purpose of the cash flow statement, cash and cash equivalents, measured at fair value, represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

### *Impairment of financial assets*

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on financial assets are recognised when there is objective evidence that the Company will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

### *Financial liabilities*

The Company's financial liabilities include amounts due to shareholders. Financial liabilities are recognised when it becomes a party to the contractual provision of the instrument. All financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method, unless the effect of discounting would be insignificant, in which case they are stated at cost.

### *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

#### **d) Earnings per share**

The Company calculates both basic and diluted earnings per share in accordance with IAS 33 "Earnings per Share". Under IAS 33, basic earnings per share is computed using the weighted average number of shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of shares during the period plus the dilutive effect of dilutive potential ordinary shares outstanding during the period.

#### **e) Foreign currency translation**

##### *Functional and presentation currency*

Items included in the financial information of the Company is measured using the currency of the primary economic environment in which it operates ("functional currency"), which is Chinese Renminbi ("RMB").

##### *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

#### **f) Related parties**

For the purpose of the financial information, related parties are defined as:

1. A person, or a close member of that person's family, is related to the Company if that person:
  - i. has control or joint control over the Company;
  - ii. has significant influence over the Company; or
  - iii. is a member of key management personnel of the Company.
2. An entity is related to the Company if any of the following conditions applies:
  - i. The entity and the Company are members of the same group.
  - ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - iii. Both entities are joint ventures of the same third party.
  - iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

- v. The entity is a post-employment benefit plan for the benefit of employees of either the Company or a related entity.
- vi. The entity is controlled or jointly controlled by a person identified in (1).
- vii. A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**g) Critical accounting estimates and judgements**

Preparation of financial information in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

In particular, significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial information are in the following areas:

*Judgements*

*Going concern*

The financial information has been prepared on a going concern basis, which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The Company's current liabilities exceeded its current assets by RMB 4,598,000 as at 30 June 2014. The Company's continuance in business as a going concern is dependent upon the interest-free loan from its shareholders (see note 5), who have undertaken to provide continuous financial support to the Company in the foreseeable future.

*Valuation of unquoted investments*

In estimating the fair value for an investment, the Company applies a methodology that is appropriate in light of the nature, facts and circumstances of the investment and its materiality in the context of the total investment portfolio using reasonable market-data. Carrying values are dealt with in Note 4.

The Company has adopted the "Price of Recent Investment" methodology prescribed in the International Private Equity and Venture Capital Valuation ("IPEVCV") guidelines to value its investments at fair value through profit or loss.

#### 4. UNQUOTED FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	<i>RMB'000</i>
<b>On incorporation</b>	—
Additions	196,000
Fair value changes through profit or loss	—
<b>Balance as at 30 June 2014</b>	<b>196,000</b>

#### **Wuxi Victory Media & Culture Co., Ltd (“Victory China”)**

The Company holds an indirect, non-controlling, 33% interest in Wuxi Victory Media and Cultural Co. Limited (“Victory China”) which was acquired on 3 June 2014. Victory China’s principal activity is the production of video courseware for the training of vocational courses to migrant workers in China.

The Company is outside the scope of IAS 28 “Investments in Associates” on the basis it is a private equity investment vehicle.

As PRC law and regulations prohibit foreign control of companies involved in internet content, the Company is unable to take a direct equity interest in Victory China. As a result:

- i. the Company’s 33% interest in Victory China is held via Weirui Culture Development (Wuxi) Company Limited (“Victory WFOE”), a company incorporated in PRC in which the Company indirectly owns 33% of the equity (as described below); and
- ii. Victory WFOE holds an effective 100% interest in Victory China through a series of contractual arrangements referred to as Variable Interest Entities Agreements dated 3 June 2014 (the “VIE Agreements”). These agreements are explained in detail below.

The equity interests of Victory WFOE are legally held directly or indirectly by the shareholders of the Company via intermediary holding companies as follows:

##### *Victory Education Investment Limited*

The Company has a 33% equity interest in Victory Education Investment Limited (“Victory Cayman”, a company incorporated in Cayman Islands) under a subscription agreement dated 21 April 2014. This company is a non-trading holding company.

##### *Victory Education Investment Holding Limited*

Victory Cayman owns 100% of the equity of Victory Education Investment Holding Limited (“Victory Hong Kong”, a company incorporated in Hong Kong). Victory Hong Kong owns 100% of the equity of Victory WFOE.

##### *VIE Agreements*

Whilst Victory WFOE does not hold the equity in Victory China, it has effective control and beneficial ownership of Victory China via the VIE Agreements. The risks inherent in the nature of the Company’s investment in Victory China are disclosed in Note 9.

In April 2014, Shenzhen Grand Culture and Technology Development Co., Ltd (“Shenzhen Grand”, a related party by virtue of the fact that it has a common shareholder structure, see Note 8) was issued 33% of the equity of Victory China for a total consideration of RMB 196m. In June 2014, Shenzhen Grand, together with the other shareholders of Victory China entered into the VIE Agreements to transfer their interests in Victory China (as described below) to Victory WFOE.

The VIE Agreements include an Exclusive Business Cooperation Agreement, an Exclusive Option Agreement, a Loan Agreement, a series of Equity Pledge Agreements, a Spouse Consent Letter, and a Power of Attorney.

Victory WFOE does not enjoy direct equity ownership of Victory China. Instead, the VIE Agreements enable Victory WFOE to:

- receive substantially all of the economic benefits and residual returns from Victory China as if it were a wholly owned subsidiary;
- exercise effective control over Victory China; and
- have an exclusive option to acquire all of the equity interests in Victory China.

Below is a summary of the VIE Agreements:

#### *Exclusive Business Cooperation Agreement*

An Exclusive Business Cooperation Agreement was entered into by and between Victory WFOE and Victory China on 3 June 2014, whereby Victory WFOE shall provide Victory China with technical support, consulting services and other services on an exclusive basis in relation to the businesses conducted by Victory China, utilising the advantages of Victory WFOE in technology, human resources and information. Under the terms of the agreement, Victory China shall pay to Victory WFOE a service fee equalling 100% of the net income of Victory China.

#### *Exclusive Option Agreement*

An Exclusive Option Agreement was entered into by and between Victory WFOE, Victory China and the shareholders of Victory China (namely Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, Jun Zhang, Shenzhen Grand Culture and Technology Development Co., Ltd (“Shenzhen Grand”), together the “Victory China Shareholders”), on 3 June 2014, whereby Shenzhen Grand granted Victory WFOE an irrevocable and exclusive right to purchase, or to designate one or more persons to purchase the equity interests in Victory China then held by any of them. The purchase price for Victory WFOE to purchase the above equity interest from Shenzhen Grand was RMB 10. The purchase price for Victory WFOE to purchase the above equity interests from Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang shall be equal to the principal amount of the loan made by Victory WFOE to Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang respectively under the Loan Agreement (as described below).

#### *Loan Agreement*

A Loan Agreement was entered into by and between Victory WFOE, Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang on 3 June 2014, whereby Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Ming Zhou, Xiaofeng Gao, and Jun Zhang have obtained from Victory WFOE loans in the amount of RMB 262,625, RMB 66,650, RMB 66,025, RMB 6,900, RMB 24,000, RMB 6,900, RMB 6,900, RMB 37,500 and RMB 22,500 respectively. The term of the above loans shall be 10 years from the effective date of the Loan Agreement.

#### *Equity Pledge Agreements*

An Equity Pledge Agreement was entered into by and between each of the Victory China Shareholders, Victory China and Victory WFOE on 14 May 2014 and a respective equity pledge registration certificate issued by Wuxi Huishan State Administration of Industry and Commerce on 14 May 2014, whereby each of the Victory China shareholders has pledged their respective equity interests in Victory China to Victory WFOE for the purpose of securing these shareholders and Victory China’s full performance of their obligations under the Loan Agreement, the Exclusive Business Cooperation Agreement, the Exclusive Option Agreement and the Power of Attorney.

### *Spouse Consent Letters*

Spousal Consent Letters issued respectively by the spouse of Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, Xiaofeng Gao respectively on 3 June 2014, whereby the respective spouse of Jie Zhou, Haijun Liu, Xian Huang, Min Li, Jiazhong Yang, Xiurong Wu, and Xiaofeng Gao have agreed to the execution of the other VIE Agreements by their spouse and the disposal of the equity interests of Victory China held by their spouse and to provide other assistance as to the appropriate performance of the other VIE Agreements.

### *Power of Attorneys*

Power of Attorneys were issued by the Victory China Shareholders respectively on 3 June 2014, whereby the Victory China Shareholders have authorised Victory WFOE to act on behalf of them as their exclusive agent and attorney with respect to all matters concerning their shareholding in the Victory China, to execute all the documents they shall sign as stipulated in the Exclusive Option Agreement and the Equity Pledge Agreement, and to perform the terms of the Exclusive Option Agreement and the Equity Pledge Agreements.

### **Fair value**

The Company has adopted the “recent investment methodology” prescribed in the IPEVCV guidelines to value its investment at fair value through profit or loss. Applying this methodology, and due to the proximity to the period end of the purchase of 33% of the equity of Victory China by Shenzhen Grand (in April 2014), the Company has used RMB196m, the purchase consideration paid for shares in Victory China, as the basis to estimate the fair value of the investment. The Directors consider that there has been no subsequent investment events which would result in a fair value change and no impairment in the value of the investment in the period since acquisition.

## **5. AMOUNTS DUE TO SHAREHOLDERS**

	<i>30 June 2014</i> <i>RMB'000</i>
Shareholders' loan	3,628
	<hr/>
	3,628
	<hr/> <hr/>

The shareholders' loan as at 30 June 2014 is unsecured, interest-free and repayable on demand.

## **6. SHARE CAPITAL**

The Company was incorporated in Cayman Islands on 4 March 2014 and is authorised to issue 25,000 shares of £1.00 (approximately RMB10) each. As at 30 June 2014, the Company had issued 1,000 shares fully paid at par with equal voting rights.

## **7. CONTRIBUTED CAPITAL**

The capital reserve arose as a result of capital contributions made by the shareholders of the Company in transferring effective control and beneficial ownership of their interests in Victory China under the VIE Agreements as disclosed at Note 4.

	<i>30 June 2014</i> <i>RMB'000</i>
Capital reserve	196,000
	<hr/>
	196,000
	<hr/> <hr/>

## 8. RELATED PARTY TRANSACTIONS

- a) No remuneration was paid to key management personnel during the period.
- b) Shenzhen Grand Culture and Technology Development Co., Ltd (“Shenzhen Grand”), is a related party by virtue of the fact that the Company and Shenzhen Grand are subject to the same ownership structure. The Company has a ten year Strategic Cooperation Agreement (dated 24 November 2014) with Shenzhen Grand whereby the Company is required to pay a 0.5% finder’s fee for any investment introduced. This is included within other payables and accruals.

	<i>30 June 2014</i>
	<i>RMB’000</i>
Victory China finder’s fee payable	980
	<u>980</u>

The Strategic Cooperation Agreement includes a no competition clause in relation to investment activities.

## 9. FINANCIAL INSTRUMENTS

### Financial risk management objectives and policies

Management has adopted certain policies on financial risk management with the objective of:

- (i) ensuring that appropriate funding strategies are adopted to meet the Company’s short-term and long-term funding requirements taking into consideration the cost of funding, gearing levels and cash flow projections;
- (ii) ensuring that appropriate strategies are also adopted to manage related interest and currency risk funding; and
- (iii) ensuring that credit risks on receivables are properly managed.

### Financial instruments by category

The accounting policies for financial instruments have been applied to the line items below:

### Financial assets at fair value through profit or loss

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1, 2, or 3 based on the degree to which the fair value is observable:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3 fair value measurements are those derived from inputs that are not based on observable market data.

	<i>30 June 2014</i>
	<i>RMB’000</i>
<b>Level 3</b>	
Unquoted financial assets at fair value through profit or loss	196,000
	<u>196,000</u>

The Company did not hold any Level 1 or Level 2 financial assets at fair value through profit or loss in the period.

**VIE agreement risk**

As PRC law and regulations prohibit foreign control of companies involved in internet content, the Company is unable to take a direct equity interest in its sole investment, Victory China. Currently, the Company has an indirect interest in Victory China through a series of contractual arrangements (the VIE Agreements) entered into between Victory WFOE, Victory China and its shareholders (as detailed in Note 4).

In the opinion of the Company's management, the VIE Agreements provide Victory WFOE with the ability to control Victory China and the entitlement to substantially all of the economic benefits from Victory China. Therefore, indirectly, the VIE Agreements provide the Company with a 33% investment in Victory China.

Furthermore, in the opinion of the Company's PRC legal counsel, the VIE Agreements do not violate any current applicable PRC laws, rules and regulations.

However, due to the uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations, including but not limited to the laws, rules and regulations with respect to the validity and enforcement of the VIE Agreements or the contractual arrangements, the risk of being challenged by PRC regulatory authorities may not be completely ruled out.

If the Company's ownership structure and the VIE Agreements were found to be in violation of any existing or future PRC laws or regulations by the relevant regulatory authorities, the Company may be subject to penalties, which may include but not be limited to, revocation of the business licenses or operating licenses of its PRC associates or that of Victory China, being required to restructure the Company's operations or discontinue the Company's operating activities. If any of these penalties result in its inability to receive economic benefit from Victory China, the Company's investment in Victory China may be impaired.

In addition, if Victory China or its shareholders fail to perform their obligations under the VIE Agreements, the Company and its investee companies may have to incur substantial costs and expend resources to enforce the Company's rights under the contracts. The Company and its associates may have to rely on legal remedies under PRC law, including seeking specific performance or injunctive relief and claiming damages, which may not be effective. All of these VIE Agreements are governed by PRC law and provide for the resolution of disputes through arbitration in the PRC. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal system in PRC is not as developed as in other jurisdictions, such as the United Kingdom. As a result, uncertainties in the PRC legal system could limit the Company's ability to enforce these VIE Agreements. Under PRC law, rulings by arbitrators are final, parties cannot appeal the arbitration results in courts, and prevailing parties may only enforce the arbitration awards in PRC courts through arbitration award recognition proceedings, which would incur additional expenses and delay. In the event the Company and its associates are unable to enforce these VIE Agreements, the Company may not be able to receive economic benefit from Victory China and its investment in Victory China may be impaired.

**Credit risk**

The Company's exposure to credit risk, or the risk of counterparties defaulting, arises from cash held with banks. As the amount of cash and cash equivalents were not significant, the exposure to interest rate risk is not considered to be material to the Company.

**Interest rate risks**

As the Company has no borrowings from the bank and cash and cash equivalents are not significant, the exposure to interest rate risk is not considered to be material to the Company.

### Liquidity risk

The Company manages its liquidity requirements by the use of both short-term and long-term cash flow forecasts. The Company's policy to ensure facilities are available as required is to issue equity share capital in accordance with long-term cash flow forecasts.

The Company's financial liabilities are primarily amounts due to shareholders. The amounts are unsecured, interest-free and repayable on demand.

### Valuation risks

While investments in companies whose business operations are based in China may offer the opportunity for significant capital gains, such investments also involve a degree of business and financial risk, in particularly for unquoted investments.

Generally, the Company expects to hold unquoted investments in the mid to long term, in particular if the investee company is not in a position for an admission to trading on a stock exchange. Sales of securities in unquoted investments may be made at a discount to the book value.

The Company has policies and procedures in place to ensure that investments are made in accordance with the Company's investment policy and its objectives. The Company expects to work closely with potential investee companies for a period typically of 6 months to 18 months prior to making an investment, therefore increasing the level of information and understanding available to make investment decisions. All investment decisions are made with the benefit of third party due diligence and on a majority decision of the Board.

### Currency risks

Since the Company operates primarily within its local currency with little exposure to currency fluctuations, management considers that foreign currency exposure is not significant to the Company.

## 10. CAPITAL MANAGEMENT

The Company manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between debt and equity.

The capital structure of the Company as at 30 June 2014 consisted of shareholders' loans of RMB3.628m (Note 5) less bank balances and cash of RMB10,000 and equity attributable to the equity holders of the Company, comprising capital contributions of RMB196m, paid in capital of RMB10,000 and retained losses of RMB4.6m (disclosed in the statement of changes in equity).

The Company reviews the capital structure on an on-going basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. The Company will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the repayment of existing debt.

The Company monitors capital using the net debt-to-capital ratio, the percentage of which as at 30 June 2014 was as follows:

		<i>30 June 2014</i>
	<i>Note</i>	<i>RMB'000</i>
Amounts due to shareholders	5	3,628
Less: bank balances and cash	6	(10)
<b>Net debt</b>		<b>3,618</b>
<b>Equity</b>		<b>191,402</b>
<b>Net debt to capital ratio</b>		<b>1.9%</b>

## 11. LOSS PER SHARE

	<i>30 June 2014</i>
Loss attributable to ordinary shareholders (RMB'000)	(4,608)
Weighted average number of shares	1,000
<b>Loss per share (expressed as RMB'000 per share)</b>	<b><u>(4.6)</u></b>

## 12. SUBSEQUENT EVENTS

The following significant events took place subsequent to 30 June 2014:

- a) On 4 September 2014, it was resolved by the shareholders that the Company change its name from Grand Group Investment Limited to Grand Group Investment PLC.
- b) Also on 4 September 2014, it was resolved to subdivide the Company's share capital by a ratio of 1:25,000. The resulting authorised and issued share capital amounts to 625,000,000 shares and 25,000,000 shares respectively. The nominal value of each share amounts to £0.00004.

## 13. ULTIMATE CONTROLLING PARTY

In the opinion of the Directors there is no ultimate controlling party.

## 14. IMPACT OF ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL REPORTING STANDARDS

The IASB and IFRIC have issued the following amendments, new standards and interpretations which are not yet effective and which have not been early adopted by the Company:

		<i>Effective for annual report periods beginning on or after</i>
IFRS 7 Amendment	Mandatory Effective Date and Transition Disclosures	1 January 2018
IFRS 9	Financial instruments	1 January 2018

The Company has already commenced an assessment of the related impact of adopting the above new standards and interpretation and amendments to standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the financial information of the Company.

## 15. NATURE OF FINANCIAL INFORMATION

The financial information presented above does not constitute statutory financial statements for the period under review.

**SECTION B: ACCOUNTANTS' REPORT ON  
WUXI VICTORY MEDIA AND CULTURAL CO., LIMITED**

**MOORE STEPHENS**

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The Directors  
ZAI Corporate Finance Limited  
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London  
SW1W 4HH

27 January 2015

Dear Sirs

We report on the financial information of Wuxi Victory Media and Cultural Co., Limited (“Victory China”) set out below. This financial information has been prepared for inclusion in the admission document dated 27 January 2015 (the “Admission Document”) of Grand Group Investment PLC (“Grand Group”) on the basis of the accounting policies set out in note 2. This report is required by Schedule Two of the AIM rules for Companies published by the London Stock Exchange plc (“the AIM Rules”) and is given for the purpose of complying with that Schedule and for no other purpose.

**Responsibilities**

The directors of Victory China are responsible for preparing the financial information on the basis of preparation set out in note 2 of the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed and for any responsibility arising under paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Schedule Two to the AIM Rules, consenting to its inclusion in the Admission Document.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to Victory China's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

**Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Victory China as at 31 December 2012 and 31 December 2013 and of its profits/losses, cash flows and changes in equity for the periods from 27 October 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013 in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as described in note 2 to the financial information, and has been prepared in a form that is consistent with the accounting policies adopted in Victory China's latest audited financial statements.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

**Moore Stephens LLP**  
*Chartered Accountants*

## STATEMENT OF COMPREHENSIVE INCOME

For the period from 27 October 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013

		<i>Period from 27 October 2011 to 31 December 2012</i>	<i>Year ended 31 December 2013</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue</b>	3	545	102,232
Cost of sales		(2,700)	(8,417)
<b>Gross (loss)/profit</b>		(2,155)	93,815
Selling and distribution costs		(1,393)	(16,872)
General and administrative expenses		(184)	(1,887)
Other income	3	1	9
<b>(Loss)/profit before taxation</b>	4	(3,731)	75,065
Taxation	5	896	(19,232)
<b>Total comprehensive (loss)/income attributable to equity holders of the Company for the period/year</b>		<u>(2,835)</u>	<u>55,833</u>

**STATEMENT OF FINANCIAL POSITION**  
**As at 31 December 2013**

	<i>Note</i>	<i>31 December 2012 RMB'000</i>	<i>31 December 2013 RMB'000</i>
<b>Assets</b>			
<i>Non-current assets</i>			
Property, plant & equipment	6	515	5,805
Intangible assets	7	26,496	48,608
Deferred tax assets	8	896	—
<b>Total non-current assets</b>		<b>27,907</b>	<b>54,413</b>
<i>Current assets</i>			
Accounts receivable	9	—	12,608
Prepayments		771	—
Cash and cash equivalents	10	1,996	6,256
<b>Total current assets</b>		<b>2,767</b>	<b>18,864</b>
<b>Total assets</b>		<b>30,674</b>	<b>73,277</b>
<b>Equity and liabilities</b>			
<i>Shareholders equity</i>			
Paid in capital	11	500	500
Statutory reserve fund		—	250
(Accumulated losses)/retained earnings		(2,835)	52,748
<b>Total equity</b>		<b>(2,335)</b>	<b>53,498</b>
<b>Liabilities</b>			
<i>Current liabilities</i>			
Loan from ultimate controlling party	12	33,000	—
Accounts payable		—	751
Accruals		9	692
Income tax payable		—	18,336
<b>Total liabilities</b>		<b>33,009</b>	<b>19,779</b>
<b>Total equity and liabilities</b>		<b>30,674</b>	<b>73,277</b>

## STATEMENT OF CHANGES IN EQUITY

For the period from 27 October 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013

	<i>Paid in capital RMB'000</i>	<i>Statutory reserve fund RMB'000</i>	<i>(Accumulated losses)/retained earnings RMB'000</i>	<i>Total RMB'000</i>
<i>On Incorporation</i>	500	—	—	500
Total comprehensive loss for the period	—	—	(2,835)	(2,835)
<b>31 December 2012</b>	<b>500</b>	<b>—</b>	<b>(2,835)</b>	<b>(2,335)</b>
Total comprehensive income for the year	—	—	55,833	55,833
Transfer between reserves	—	250	(250)	—
<b>31 December 2013</b>	<b>500</b>	<b>250</b>	<b>52,748</b>	<b>53,498</b>

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC"), Victory China is required to maintain a statutory reserve fund which is non-distributable. Victory China is required to transfer at least 10% of its profit after taxation as reported in the PRC statutory financial statements to the statutory reserve fund until the balance reaches 50% of its registered capital.

The statutory reserve fund may be utilised against prior year losses incurred and, with the approval from the relevant government authorities, to increase paid in capital.

## STATEMENT OF CASH FLOWS

For the period from 27 October 2011 (date of incorporation) to 31 December 2012 and year ended 31 December 2013

	<i>Period from 27 October 2011 to 31 December 2012 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
<i>Cash flows from operating activities</i>		
(Loss)/profit before taxation	(3,731)	75,065
Adjustments for:		
– Depreciation of plant and equipment	59	1,131
– Amortisation of intangible assets	2,944	7,888
– Interest income	(1)	(9)
<b>Operating cash flows before working capital changes</b>	<b>(729)</b>	<b>84,075</b>
(Increase) in trade and other receivables	(771)	(11,836)
Increase in trade and other payables	9	1,433
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,491)</b>	<b>73,672</b>
<i>Cash flows from investing activities</i>		
Interest income received	1	9
Purchase of property, plant & equipment	(14)	(6,421)
Purchase of intangible assets	—	(30,000)
<b>Net cash outflow from investing activities</b>	<b>(13)</b>	<b>(36,412)</b>
<i>Cash flows from financing activities</i>		
Cash proceeds from issue of paid in capital	500	—
Loan from/(repayment to) ultimate controlling party <sup>1</sup>	3,000	(33,000)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>3,500</b>	<b>(33,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,996</b>	<b>4,260</b>
<b>Cash and cash equivalents at beginning of period/year</b>	<b>—</b>	<b>1,996</b>
<b>Cash and cash equivalents at the end of the period/year</b>	<b>1,996</b>	<b>6,256</b>

1. Non-cash transactions

In 2012, the ultimate controlling party paid RMB 30,000,000 to a third party software developer on behalf of Victory China to acquire a web server, a website and 54 units of video courseware. (see notes 6 and 7).

**NOTES TO THE FINANCIAL INFORMATION**

**For the period from 27 October 2011 (date of incorporation) to 31 December 2012 and the year ended 31 December 2013**

**1. General**

Wuxi Victory Media & Cultural Co., Limited (“Victory China”) is a limited company incorporated in Wuxi, Jiangsu province of the People’s Republic of China (“PRC”) on 27 October 2011. At incorporation, the principal activity of Victory China was the sale of special equipment and metallic material.

On 6 August 2013, Victory China changed its principal activity to production of video courseware for the training of vocational courses to migrant workers in China.

**2. Basis of preparation of financial information and principal accounting policies**

The financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which collective term includes all applicable individual IFRS, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretations Committee (“IFRIC”).

The financial information has been prepared under the historical cost convention, and is presented in Renminbi (“RMB”), which is Victory China’s functional currency.

**a) Property, plant & equipment**

Property, plant and equipment (“PPE”) is stated at cost less accumulated depreciation and impairment losses, if any. Details are set out in Note 6.

The cost of an item of PPE comprises its purchase price and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Expenditure incurred after the item has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in future economic benefits expected to be obtained from the use of the item, the expenditure is capitalised as an additional cost of the item. When an item of PPE is sold, its cost and accumulated depreciation are removed from the financial information and any gain or loss resulting from the disposal, being the difference between the net disposal proceeds and the carrying amount of the asset, is credited/charged to the statement of comprehensive income.

Depreciation is provided using the straight-line method, based on the estimated useful economic life of the individual assets, after taking into account their estimated residual value, if any, as follows:-

Machinery	3 years
Furniture and fixtures	3 years
Web server	5 years

**b) Intangible assets**

Courseware and website are amortised on a straight-line basis over their estimated useful life of five years. The amortisation charge recognised for the year/period is included in “Cost of sales” and “Selling and distribution costs” in the statement of comprehensive income.

Courseware and website costs are purchased and capitalised at cost. Carrying values are tested for impairment annually.

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are credited/charged to the income statement when the asset is derecognised.

**c) *Impairment of non-financial assets***

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the recoverable amount of the asset is estimated. An asset's recoverable amount is the higher of the value in use of the asset or cash-generating unit to which it belongs and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the income statement in the period in which it arises.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior periods. A reversal of such impairment loss is credited to the income statement in the period in which it arises.

**d) *Financial instruments***

*Financial assets*

Victory China's financial assets include accounts receivables.

Receivables are non-derivatives with fixed or determinable payments that are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment losses. Any changes in their value are recognised in the income statement.

An assessment for impairment is undertaken at least at the end of each reporting period whether or not there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment loss on financial assets are recognised when there is objective evidence that Victory China will not be able to collect all the amounts due to it in accordance with the original terms of the receivables. The amount of the impairment loss is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

*Financial liabilities*

Victory China's financial liabilities include loans from its ultimate controlling party, accruals and accounts payable. Financial liabilities are recognised when it becomes a party to the contractual provisions of the instrument.

Financial liabilities are initially recognised at fair value, net of transactions costs incurred and subsequently measured at amortised cost using the effective interest method. Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled, or expires.

**e) *Leased assets***

Where Victory China has the use of assets held under operating leases, payments made under the leases are charged to the statement of comprehensive income on a straight line basis over the period covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in the statement of comprehensive income as an integral part of the aggregate net lease payments made. Contingent rentals, if any, are charged to the income statement in the accounting period in which they are incurred.

**f) *Revenue recognition***

Royalty income is recognised on the commencement of vocational courses which use the video courseware provided by Victory China. Royalty income is recognised monthly based on the number of students attending courses as reported by its educational training partner.

**g) *Retirement benefits costs***

Defined contributions to the retirement schemes operated by the relevant authorities for employees of Victory China in the PRC are recognised as an expense in the income statement as incurred.

**h) *Taxation***

Taxation represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profits for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

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

Deferred tax is calculated, without discounting, at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited to the income statement, except when it relates to items charged or credited directly to other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and Victory China intends to settle its current tax assets and liabilities on a net basis.

**i) *Cash and cash equivalents***

For the purpose of the statement of cash flows, cash and cash equivalents, measured at fair value, represent short-term, highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

**j) *Related parties***

For the purpose of the financial information, related parties are defined as:

1. A person, or a close member of that person's family, is related to Victory China if that person:
  - (i) has control or joint control over Victory China;
  - (ii) has significant influence over Victory China; or
  - (iii) is a member of key management personnel of Victory China.
2. An entity is related to Victory China if any of the following conditions applies:
  - (i) The entity and Victory China are members of the same group.
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
  - (iii) Both entities are joint ventures of the same third party.
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either Victory China or a related entity.
  - (vi) The entity is controlled or jointly controlled by a person identified in (1).
  - (vii) A person identified in (1)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**k) *Significant judgements and estimates***

The preparation of financial information in conformity with IFRS requires the directors to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

The directors have considered the development, selection and disclosure of Victory China's critical accounting policies and estimates.

*Estimates and assumptions*

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

*Useful lives of intangible assets*

Victory China's management determines the estimated useful lives and subsequent related amortisation rate for intangible assets. These estimates are based on the length of the national

education planning in the PRC. Actual economic life may vary from estimated useful life. Periodic review could result in a change in useful lives and consequently increase or decrease in amortisation expense.

#### *Judgements*

In the process of applying the accounting policies, the directors have made the following judgements which have the most significant effect on the amounts recognised in the financial information.

#### *Going concern*

The financial information has been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. Victory China's current liabilities exceeded its current assets by RMB 30,242,000 and RMB 915,000 as at 31 December 2012 and 31 December 2013, respectively. Victory China's continuance in business as a going concern is dependent upon generating sufficient cash flows from its exclusive educational contracts with Wuxi Vocational Education Standard Training Materials Centre (the "TMC") to meet its liabilities and obligations as and when they fall due.

#### *Courseware and website costs*

Management determine the amount of courseware and website costs to be recognised as intangible assets at each reporting date. In making their judgement, management have considered development contracts entered into and whether there is sufficient certainty of economic viability and economic benefits to Victory China in accordance with the accounting policies per note 2(b) and 2(c).

The carrying amount of courseware and website costs was RMB 48,608,000 (2012: RMB 26,496,000).

#### *Impairment of trade receivable*

Management reviews trade receivables for objective evidence of impairment on a periodic basis. Trade receivables relate to one customer, see credit risk per note 15.

The carrying amount of trade receivables was RMB 12,608,000 (2012: Nil). No impairment loss has been recognised.

### 3. Revenue and other income

An analysis of the revenue and other income is as follows:

	<i>Period from 27 October 2011 to 31 December 2012 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
<i>Revenue</i>		
Royalty income	545	102,232
<i>Other income</i>		
Bank interest income	1	9
	<u>546</u>	<u>102,241</u>

### 4. (Loss)/profit before taxation

(Loss)/profit from operations is arrived at after charging:

	<i>Period from 27 October 2011 to 31 December 2012 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
Advertising	500	3,000
Agency fees	529	10,703
Amortisation of intangible assets	2,944	7,888
Depreciation of plant and equipment	59	1,131
Retirement benefit scheme contributions (included in staff costs below)	—	204
Staff costs		
– Directors' emoluments (key management personnel)	26	—
– Other staff costs	54	2,081
Website maintenance	120	240
	<u>546</u>	<u>102,241</u>

### 5. Taxation

Provision for PRC income tax has been made at the rate of 25% on the estimated assessable profits arising in the PRC.

Details of taxation in the statements of comprehensive income are as follows:

	<i>Period from 27 October 2011 to 31 December 2012 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
Current tax – PRC income tax	—	18,336
Deferred tax (Note 8)	(896)	896
Taxation	<u>(896)</u>	<u>19,232</u>

Taxation is reconciled to the (loss)/profit before taxation in the statement of comprehensive income as follows:

	<i>Period from 27 October 2011 to 31 December 2012 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
(Loss)/profit before taxation	(3,731)	75,065
Tax at PRC tax rate of 25% (2012: 25%)	(932)	18,766
Tax effect of expenses not deductible in determining taxable profits	40	271
Temporary differences not recognized	(4)	195
Taxation	<u>(896)</u>	<u>19,232</u>

## 6. Property, plant & equipment

	<i>Machinery RMB'000</i>	<i>Furniture &amp; fittings RMB'000</i>	<i>Web server RMB'000</i>	<i>Total RMB'000</i>
<b>Cost</b>				
27 October 2011	—	—	—	—
Additions	—	14	560	574
31 December 2012	—	14	560	574
Additions	6,421	—	—	6,421
31 December 2013	<u>6,421</u>	<u>14</u>	<u>560</u>	<u>6,995</u>
<b>Accumulated depreciation</b>				
27 October 2011	—	—	—	—
Charge for the period	—	3	56	59
31 December 2012	—	3	56	59
Charge for the year	1,017	3	111	1,131
31 December 2013	<u>1,017</u>	<u>6</u>	<u>167</u>	<u>1,190</u>
<b>Net book value</b>				
<b>31 December 2013</b>	<u><u>5,404</u></u>	<u><u>8</u></u>	<u><u>393</u></u>	<u><u>5,805</u></u>
31 December 2012	<u><u>—</u></u>	<u><u>11</u></u>	<u><u>504</u></u>	<u><u>515</u></u>

## 7. Intangible assets

	<i>Courseware</i> <i>RMB'000</i>	<i>Website</i> <i>RMB'000</i>	<i>Total</i> <i>RMB'000</i>
<b>Cost</b>			
27 October 2011	—	—	—
Additions	27,000	2,440	29,440
31 December 2012	27,000	2,440	29,440
Additions	30,000	—	30,000
31 December 2013	57,000	2,440	59,440
<b>Accumulated amortisation</b>			
27 October 2011	—	—	—
Charge for the period	2,700	244	2,944
31 December 2012	2,700	244	2,944
Charge for the year	7,400	488	7,888
31 December 2013	10,100	732	10,832
<b>Net book value</b>			
<b>31 December 2013</b>	<b>46,900</b>	<b>1,708</b>	<b>48,608</b>
31 December 2012	24,300	2,196	26,496

## 8. Deferred tax assets

The movement in deferred tax assets during the period/year are as follows:

	<i>Deferred</i> <i>expenses</i> <i>RMB'000</i>	<i>Tax losses</i> <i>RMB'000</i>	<i>Total</i> <i>RMB'000</i>
27 October 2011	—	—	—
Deferred tax credits to the statement of comprehensive income during the period (Note 5)	125	771	896
<b>31 December 2012</b>	125	771	896
Deferred tax charges to the statement of comprehensive income during the period (Note 5)	(125)	(771)	(896)
<b>31 December 2013</b>	—	—	—

Deferred tax expenses are related to the origination and reversal of temporary timing differences. Deferred tax assets are expected to be realised based on expected future taxable profits.

## 9. Accounts receivable

	<i>31 December</i> <i>2012</i> <i>RMB'000</i>	<i>31 December</i> <i>2013</i> <i>RMB'000</i>
Account receivable	—	12,608

No allowance for impairment loss has been made during the year ended 31 December 2013 (2012: Nil).

At 31 December 2013, there were no accounts receivables that were past due but not impaired (2012: Nil).

## 10. Cash and cash equivalents

	<i>31 December 2012 RMB'000</i>	<i>31 December 2013 RMB'000</i>
Current bank account	1,581	6,243
Cash on hand	415	13
	<u>1,996</u>	<u>6,256</u>

## 11. Paid in capital

	<i>31 December 2012 RMB'000</i>	<i>31 December 2013 RMB'000</i>
Authorised and issued paid in capital (500,000 shares at RMB 1)	<u>500</u>	<u>500</u>

Paid in capital was issued on incorporation at par with equal voting rights.

## 12. Loan from ultimate controlling party

	<i>31 December 2012 RMB'000</i>	<i>31 December 2013 RMB'000</i>
Non-interest bearing	<u>33,000</u>	<u>—</u>

The loan was unsecured, interest-free and repayable on demand. It was fully repaid as at 31 December 2013.

## 13. Operating lease commitments

At 31 December 2012 and 2013, Victory China had minimum outstanding commitments under non-cancellable operating leases in respect of land and buildings and motor vehicles which fall due as follows:

	<i>31 December 2012 RMB'000</i>	<i>31 December 2013 RMB'000</i>
Within one year	600	780
Between one and two years	600	780
Between two and five years	600	—
	<u>1,800</u>	<u>1,560</u>

## 14. Related party transactions

Transactions with related parties during the period/year are summarised as follows:

	<i>Period from 27 October 2011 to 31 December 2012 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
Car rental expenses to ultimate controlling party	18	18
Car rental expenses to a director	<u>—</u>	<u>18</u>

The above transactions were made at prices and terms in the normal course of business as agreed between the parties.

Compensation of key management personnel:

The only key management personnel of the company is the sole director. Details of director's emoluments are set out below:

	<i>Period from 27 October 2011 to 31 December 2012 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
Short term employee benefits	<u>26</u>	<u>—</u>

## 15. Financial risk management and fair values of financial instruments

### a) *Financial risk management*

Victory China is exposed to a variety of risks including credit risk, liquidity risk and interest rate risk arising in the normal course of its business activities.

Victory China does not have any written risk management policies and guidelines. Victory China's sole director monitors the financial risk management of Victory China and takes such measures as considered necessary from time to time to minimise such financial risks.

#### i) *Credit risk*

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Victory China is exposed to credit risk from its operating activities (primarily from account receivables). Victory China performs ongoing credit evaluation of the debtor's financial condition and maintains an account for allowance for impairment losses of account receivables based upon the expected collectability of all account receivables.

At 31 December 2013, Victory China has concentration of credit risk since it has only one customer, the TMC, a government agency responsible for supervising vocational training materials in the Wuxi region. The TMC is ultimately controlled by the PRC government and therefore changes in governmental policy could impact contractual relationships between the TMC and Victory China.

Bank balances of Victory China are held with financial institutions of good standing.

#### ii) *Liquidity risk*

Liquidity risk is the risk that Victory China will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value.

Victory China is exposed to liquidity risk as it has net current liabilities at 31 December 2012 and 31 December 2013. Victory China has to achieve future profitable operations in order to generate sufficient cash flows to meet its liabilities and obligations as and when they fall due and management closely monitors its cash flow position.

The maturity profile of Victory China's financial liabilities as at 31 December 2013 and 2012, based on the contracted undiscounted payments, includes, the loan from ultimate controlling party, accounts payable and accruals which are all repayable on demand.

iii) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Victory China's exposure to the risk of changes in market interest rates relates primarily to its bank balances. Victory China's policy is to obtain the most favourable interest rate available. No sensitivity analysis has been prepared as Victory China's exposure to interest rate risk is not significant.

As Victory China has no other significant interest-bearing assets and liabilities, Victory China's income, expenses and operating cash flows are substantially independent of changes in market interest rates.

b) *Fair values of financial instruments*

The notional amounts of financial assets and financial liabilities with a maturity of less than one year (including accounts receivable, cash and cash equivalents, loan from ultimate controlling party, trade payables, and accruals) are all current and approximate their fair values.

## 16. Capital management

Victory China manages its capital to ensure that it will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the balance between debt and equity.

The capital structure of Victory China as at 31 December 2013 consisted of bank balances and cash of RMB6,256,000 (disclosed in Note 10) and equity attributable to the equity holder of Victory China, comprising paid in capital of RMB 500,000 and retained earnings of RMB 52,998,000 (including the statutory reserve fund of RMB 250,000) disclosed in the statement of changes in equity.

Victory China reviews the capital structure on an on-going basis. As part of this review, the sole director considers the cost of capital and the risks associated with each class of capital. Victory China will balance its overall capital structure through the payment of dividends, new share issues and the issue of new debt or the repayment of existing debt.

Victory China monitors capital using the net debt-to-capital ratio, the percentages of which as at 31 December 2013 and 2012 were as follows:

		<i>31 December 2012</i>	<i>31 December 2013</i>
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Loans from ultimate controlling party	12	(33,000)	—
Less: bank balances and cash	10	1,996	6,256
Net (debt)/cash		<u>(31,004)</u>	<u>6,256</u>
(Deficit)/Equity		<u>(2,335)</u>	<u>53,498</u>
Net debt/cash to capital ratio		<u>1,328%</u>	<u>12%</u>

## 17. Impact of issued but not yet effective International Financial Reporting Standards

The IASB and IFRIC have issued the following amendments, new standards and interpretations which are not yet effective and which have not been early adopted by Victory China:

		<i>Effective for annual report periods beginning on or after</i>
IAS 32 Amendment	Presentation – Offsetting Financial Assets and Financial liabilities	1 January 2014
IAS 36 Amendments	Recoverable Amount Disclosures for Non-Financial assets	1 January 2014
IFRS 15	Revenue from contracts with customers	1 January 2017
IFRS 7 Amendment	Mandatory Effective Date and Transition Disclosures	1 January 2018
IFRS 9	Financial instruments	1 January 2018

Victory China has already commenced an assessment of the related impact of adopting the above new standards and interpretation and amendments to standards in the period of initial application. So far, it has concluded that the adoption of them is unlikely to have a significant impact on the financial information of Victory China.

## 18. Ultimate controlling party

In the opinion of the directors, the ultimate controlling party is Mr. Zhou Jie, resident in the People's Republic of China.

## 19. Subsequent events

On 23 April 2014, Victory China issued RMB 250,000 paid in capital (representing 33.3% of the enlarged paid in capital) to Shenzhen Grand Cultural & Technology Development Co. Limited for an investment of RMB 196,000,000.

## 20. Nature of Financial Information

The financial information presented above does not constitute statutory financial statements for the periods under review.

## SECTION C: UNAUDITED INTERIM FINANCIAL INFORMATION ON VICTORY CHINA

Set out below are the condensed consolidated interim financial information of Victory China for the six months ended 30 June 2014. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the Accountants' Report on Victory China prepared under IFRS in respect of the year ended 31 December 2013 set out in Section B of this Part V. The auditors have not audited or reviewed the financial information for the six month period ended 30 June 2014 and comparative period ended 30 June 2013, which has been included for information purposes only, and accordingly do not express an opinion thereon.

The comparative unaudited figures for the six months ended 30 June 2014 and for the six months ended 30 June 2013 have been extracted from the accounting records of Victory China.

The accounting policies applied are consistent with those of the Accountants' Report on Victory China in respect of the year ended 31 December 2013, as described in Section B of this Part V.

### STATEMENT OF COMPREHENSIVE INCOME for the six months ended 30 June 2014

	<i>Unaudited Six months ended 30 June 2014 RMB'000</i>	<i>Unaudited Six months ended 30 June 2013 RMB'000</i>	<i>Year ended 31 December 2013 RMB'000</i>
<b>Revenue</b>	35,533	19,559	102,232
Cost of sales	(7,017)	(3,000)	(8,417)
<b>Gross profit</b>	28,516	16,559	93,815
Other income	187	1	9
Selling and distribution costs	(10,572)	(6,029)	(16,872)
General and administrative expenses	(1,055)	(744)	(1,887)
<b>Profit before taxation</b>	17,076	9,787	75,065
Taxation	(4,118)	(2,447)	(19,232)
<b>Profit for the period/year</b>	12,958	7,340	55,833

**STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2014**

	<i>Unaudited</i> 30 June 2014 RMB'000	<i>31 December</i> 2013 RMB'000
<b>Assets</b>		
<i>Non-current assets</i>		
Property, plant & equipment	4,762	5,805
Intangible assets	42,664	48,608
<b>Total non-current assets</b>	<b>47,426</b>	<b>54,413</b>
<i>Current assets</i>		
Deferred tax assets	—	—
Accounts receivable	28,777	12,609
Prepayments	40,000	—
Cash and cash equivalents	154,489	6,256
<b>Total current assets</b>	<b>223,266</b>	<b>18,864</b>
<b>Total assets</b>	<b>270,692</b>	<b>73,277</b>
<b>Equity and liabilities</b>		
<i>Shareholders equity</i>		
Paid in capital	750	500
Capital reserves	195,750	—
Statutory reserve fund	375	250
Retained earnings	65,581	52,748
<b>Total equity</b>	<b>262,456</b>	<b>53,498</b>
<b>Liabilities</b>		
<i>Current liabilities</i>		
Loan from ultimate controlling party	—	—
Accounts payable	3,524	751
Accruals	594	692
Tax payable	4,118	18,336
<b>Total liabilities</b>	<b>8,236</b>	<b>19,779</b>
<b>Total equity and liabilities</b>	<b>270,692</b>	<b>73,227</b>

**STATEMENT OF CHANGES IN EQUITY**  
**For the six months ended 30 June 2014**

	<i>Paid in capital RMB'000</i>	<i>Capital reserve RMB'000</i>	<i>Statutory reserve fund RMB'000</i>	<i>Retained earnings RMB'000</i>	<i>Total RMB'000</i>
<b>At 1 January 2014</b>	<b>500</b>	<b>—</b>	<b>250</b>	<b>52,748</b>	<b>53,498</b>
Total comprehensive income for the period	—	—	—	12,958	12,958
Issue of new shares	250	195,750	—	—	196,000
Transfer between reserves	—	—	125	(125)	—
<b>30 June 2014</b>	<b>750</b>	<b>195,750</b>	<b>375</b>	<b>65,581</b>	<b>262,456</b>

Pursuant to relevant laws and regulations in the People's Republic of China ("PRC"), Victory China is required to maintain a statutory reserve fund which is non-distributable. Victory China is required to transfer at least 10% of its profit after taxation as reported in the PRC statutory financial statements to the statutory reserve fund until the balance reaches 50% of its registered capital.

The statutory reserve fund may be used to make up prior year losses incurred and, with the approval from the relevant government authorities, to increase capital.

**STATEMENT OF CASH FLOWS**  
**for the six months ended 30 June 2014**

	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 June</i> <i>2014</i> <i>RMB'000</i>	<i>Unaudited</i> <i>Six months</i> <i>ended</i> <i>30 June</i> <i>2013</i> <i>RMB'000</i>	<i>Year ended</i> <i>31 December</i> <i>2013</i> <i>RMB'000</i>
<i>Cash flows from operating activities</i>			
(Loss)/profit before taxation	17,076	9,787	75,065
Adjustments for:			
Depreciation of plant and equipment	1,075	1	1,132
Amortisation of intangible assets	5,944	3,000	7,888
Interest income	(187)	(1)	(9)
Tax paid	(18,336)	—	—
<b>Operating cash flows before working capital changes</b>	<b>5,572</b>	<b>12,787</b>	<b>84,076</b>
(Increase) in trade and other receivables	(56,169)	(16,040)	(11,838)
Increase in trade and other payables	2,675	10,267	1,434
<b>Net cash (outflow)/inflow from operations</b>	<b>(47,922)</b>	<b>7,014</b>	<b>73,672</b>
<i>Cash flows from investing activities</i>			
Interest income received	187	1	9
Purchase of property, plant & equipment	(32)	(6,421)	(6,421)
Purchase of intangible assets	—	—	(30,000)
<b>Net cash inflow/(outflow) from investing activities</b>	<b>155</b>	<b>(6,240)</b>	<b>(36,412)</b>
<i>Cash flows from financing activities</i>			
Cash injection as paid in capital	196,000	—	—
Loan from/(repayment to) ultimate controlling party	—	—	(33,000)
<b>Net cash inflow/(outflow) from financing activities</b>	<b>196,000</b>	<b>—</b>	<b>(33,000)</b>
<b>Net increase in cash and cash equivalents</b>	<b>148,233</b>	<b>593</b>	<b>4,260</b>
<b>Cash and cash equivalents at beginning of period/year</b>	<b>6,256</b>	<b>1,995</b>	<b>1,996</b>
<b>Cash and cash equivalents at the end of the period/year</b>	<b>154,489</b>	<b>2,590</b>	<b>6,256</b>

**NOTES TO THE UNAUDITED INTERIM FINANCIAL INFORMATION  
for the six months ended 30 June 2014**

**1. General**

Wuxi Victory Media & Cultural Co., Limited (“Victory China”) is a limited company incorporated in Wuxi, Jiangsu province of the People’s Republic of China (“the PRC”) on 27 October 2011.

On 6 August 2013, Victory China changed its principal activity to production of video courseware for the training of vocational courses to migrant workers in China.

This interim financial information is unaudited and has not been reviewed by the auditors and does not constitute statutory financial statements.

**2. Basis of preparation of financial information and principal accounting policies**

The financial information has been prepared in accordance with International Financial Reporting Standards (“IFRS”), which collective term includes all applicable individual IFRS, International Accounting Standards (“IAS”) and Interpretations issued by the International Accounting Standards Board (“IASB”) and International Financial Interpretations Committee (“IFRIC”).

The financial information has been prepared under the historical cost convention, and is presented in Renminbi (“RMB”), which is Victory China’s functional currency.

Details of the accounting policies adopted by Victory China are stated in Section B of Part V of this Document.

**3. Paid in capital**

	<i>Unaudited</i>	
	<i>30 June</i>	<i>31 December</i>
	<i>2014</i>	<i>2013</i>
	<i>RMB’000</i>	<i>RMB’000</i>
<b>Authorised and issued</b>		
Paid in capital (500,000 shares at RMB 1 each)	500	500
New shares issued (250,000 shares at RMB 1 each)	250	—
	<u>750</u>	<u>500</u>

Paid in capital was issued on incorporation at par with equal voting rights.

**4. Capital reserve**

Paid in capital increased during the period as a result of 250,000 new shares being issued to Grand Group Investment PLC, in return for a capital investment of RMB 196m into Victory China. The balance of this capital investment has been credited to and stated as capital reserve.

## PART VI

### ADDITIONAL INFORMATION

#### 1. Responsibility

- 1.1. The Company and the Directors (whose names appear on page 6 of this document) accept responsibility, individually and collectively, for the information contained in this document, including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this document, is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2. Moore Stephens LLP of 150 Aldersgate Street, London EC1A 4AB accepts responsibility for the information contained in Sections A and B of Part V of this document. To the best of the knowledge of Moore Stephens LLP (which has taken all reasonable care to ensure that such is the case), the information contained in Sections A and B of Part V of this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2. The Company

- 2.1. The Company was incorporated and registered on 4 March 2014 in the Cayman Islands under the Companies Law as an exempted company with registration number 285708. On 4 September 2014 it changed its name to Grand Group Investment PLC.
- 2.2. The principal legislation under which the Company now operates and under which the Ordinary Shares were created is the Companies Law and the regulations made thereunder.
- 2.3. The Company is domiciled in the Cayman Islands and its registered office is at 89 Nexus Way, Camana Bay, Grand Cayman, Cayman Islands KY1-9007. The telephone number of the Company's registered office is +1 345 949 9876. The Company's principal place of business is the PRC.
- 2.4. The Company's accounting reference date is 31 December.
- 2.5. The ISIN (International Security Identification Number) is KYG405631014.
- 2.6. The Company's website address is [www.grandgroupplc.com](http://www.grandgroupplc.com). Information displayed on the Company's website does not constitute a part of this document.

#### 3. Shares in the Company

- 3.1. The authorised and issued share capital of the Company as at the date of this document and immediately following Admission is/will be:

	<i>Authorised share capital</i>		<i>Issued share capital</i>	
	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>	<i>Number of Ordinary Shares</i>	<i>Nominal Value</i>
At the date of this document	625,000,000	£25,000	25,000,000	£1,000
Immediately following Admission	625,000,000	£25,000	33,952,631	£1,358

- 3.2. In relation to changes in the share capital of the Company preceding the date of this document:
- a) The Company was incorporated with authorised share capital of £25,000 divided into 25,000 ordinary shares of £1.00 each.

- b) On incorporation, the Company issued 1 ordinary share of £1.00 to Ogier Nominees (Cayman) Limited.
- c) On 20 March 2014, Ogier Nominees (Cayman) Limited transferred 1 ordinary share of £1.00 to A Choice Holding Limited. On the same day, the Company issued a total of 999 ordinary shares for cash as follows:

<i>Shareholder</i>	<i>Number of ordinary shares at £1.00 each</i>
A Choice Holding Ltd	79
Wonder International Capital Ltd	90
Open Sesame Investment Strategy Ltd	250
Mr Jiang Zhou	20
Hong Yang	2
Grand International Investment Holding Limited	300
Good Profit Virtue Capital Limited	30
Even International Investment Holdings Co. Ltd.	40
Chan's Investment Strategy Overseas Holding Limited	40
Boxuan Li	2
Zeal Merger International Holdings Limited	20
New Horizons Strategy Investment Co., Limited	16
Risingstar Capital Investment Co., Limited	70
Growth Asia Capital (BVI)	40

- d) On 12 May 2014, Growth Asia Capital (BVI) transferred 40 ordinary shares of £1.00 each to Yuxing Liu.
- e) On 4 September 2014, Yuxing Liu transferred 40 ordinary shares of £1.00 each to Growth Asia Capital (BVI).
- f) Pursuant to ordinary and special resolutions passed on 4 September 2014, it was resolved that:
- (i) each ordinary share with a par value of £1.00 each be divided into 25,000 ordinary shares with a par value of £0.00004 pence each;
  - (ii) the Memorandum of Association be adopted; and
  - (iii) conditional upon Admission, the Articles be adopted.
- g) Pursuant to a special resolution passed on 21 January 2015, it was resolved that conditional upon Admission, the Directors be authorised, notwithstanding the pre-emption rights under the Articles, to:
- (i) issue warrants to subscribe for an aggregate of 1,697,631 Ordinary Shares to be constituted by the Warrant Deed described in paragraph 8.1.5 of this Part VI, to be made by the Company, with such power expiring on the fifth anniversary of the date of Admission; and
  - (ii) allot Ordinary Shares or rights to subscribe for, or to convert securities into, Ordinary Shares wholly for cash up to an aggregate nominal amount £1,250, with such authority expiring at the conclusion of the Company's annual general meeting in 2016 or on the date which is 17 months from the date of the passing of the resolution (whichever is the earlier).

- 3.3. The authorised share capital of the Company at the date of this document is £25,000, divided into 625,000,000 Ordinary Shares of which 25,000,000 Ordinary Shares have been issued,

credited as fully paid as at the date of this document and it is anticipated that immediately following Admission the authorised share capital of the Company will be £25,000 divided into 625,000,000 Ordinary Shares of which 33,952,631 Ordinary Shares will have been issued, credited as fully paid.

- 3.4. Save as disclosed in this document, no commissions, discounts or brokerages or other special terms have been granted by the Company or its subsidiary in connection with the issue or sale of any share or loan capital of the Company or its subsidiary.
- 3.5. There are no shares in the Company which are held by, or on behalf of, the Company and the Company's subsidiary does not hold any shares in the Company.
- 3.6. Save as disclosed in this document, no person has any right to purchase the authorised but unissued share capital of the Company and no person has been given an undertaking by the Company to increase its authorised share capital.
- 3.7. No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.8. The Ordinary Shares are in registered form. Following Admission, the Ordinary Shares may be held in either certificated form or, through Depositary Interests, in uncertificated form and may be delivered, held and settled in CREST by means of the creation of dematerialised Depositary Interests representing such Ordinary Shares, details of which are set out in paragraph 16 of this Part VI. Following Admission, a register of Ordinary Shares will be maintained by the Registrar and a register of Depositary Interests will be maintained by the Depositary.
- 3.9. The Company has not issued any Ordinary Shares other than for cash during the period of the financial information set out in Part V of this document.
- 3.10. Save as disclosed in this document, the Company does not have in issue any securities not representing share capital nor are there any outstanding convertible securities issued by the Company and no share capital of the Company is under option or has been granted conditionally or unconditionally to be put under option. There are no arrangements in place for employees to participate in the share capital of the Company.

#### **4. Memorandum and Articles**

- 4.1. The Memorandum was adopted and the Articles were adopted conditionally upon Admission on 4 September 2014 pursuant to a written resolution of the Shareholders of the Company.
- 4.2. The Memorandum and Articles of the Company include provisions to the following effect:
- 4.3. *Objects*
  - 4.3.1. The Company's objects are included in clause 3 of the memorandum of association and are unrestricted. The Company shall have full power to carry out any object not prohibited by applicable law.
- 4.4. *Voting Rights*
  - 4.4.1. Subject to any rights or restrictions as to voting attached to any shares, on a show of hands every member who is present in person and every person representing a member by proxy shall have one vote and on a poll every member who is present in person and every person representing a member by proxy shall have one vote for each share of which he or the person represented by proxy is the holder.
  - 4.4.2. Votes may be given either personally or by proxy.

#### 4.5. *Variation of Rights*

- 4.5.1. Whenever the capital of the Company is divided into different classes of shares, the rights attaching to any class of share (unless otherwise provided by the terms of issue of the shares of that class) may be varied either with the consent in writing of the holders of not less than 75 per cent. of the issued shares of that class, or with the sanction of a resolution passed by at a majority of not less than 75 per cent. of the holders of shares of the class present in person or by proxy at a separate general meeting of the holders of shares of that class.
- 4.5.2. The rights conferred upon the holders of the shares of any class shall not, unless otherwise expressly provided by the terms of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

#### 4.6. *Alteration of share capital*

- 4.6.1. Subject to the Companies Law, the Company may, by ordinary resolution:
- a. increase its share capital by new Shares of the amount fixed by that ordinary resolution and with the attached rights, priorities and privileges set out in that ordinary resolution;
  - b. consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares;
  - c. convert all or any of its paid up shares into stock and reconvert that stock into paid up shares of any denomination;
  - d. subdivide all or any of its existing shares into shares of a smaller nominal value;
  - e. cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the amount of the shares so cancelled.
- 4.6.2. subject to the Companies Law and to any rights for the time being conferred on the Shareholders holding a particular class of Shares, the Company may, by special resolution, reduce its share capital in any way.

#### 4.7. *Purchase of own shares*

- 4.7.1. Subject to, and in accordance with, the Companies Law and the AIM Rules and to any rights for the time being conferred on the Shareholders holding a particular class of shares, the Company may by its Directors purchase all or any of its own shares of any class on such terms and in the manner as the Directors may determine at the time of such purchase.

The Company may make a payment in respect of the redemption or purchase of its own shares in any manner authorised by the Companies Law including out of any combination of the following: capital, its profits and the proceeds of a fresh issue of Shares.

- 4.7.2. Upon the date of purchase of a share, the Shareholder holding that share shall cease to be entitled to any rights in respect of the share other than the right to receive the price for the share; and any dividend declared in respect of the share prior to the date of purchase. The share shall be cancelled or held as a treasury share, as the Directors may determine.
- 4.7.3. When making a payment in respect of the purchase of Shares, the Directors may make the payment in cash or in specie (or partly in one and partly in the other) if so authorised

by the terms of the allotment of those Shares or by the terms applying to those Shares in accordance with the Articles, or otherwise by agreement with the Shareholder holding those Shares.

4.8. *Allotment of securities and pre-emption rights*

4.8.1. Subject to the provisions of the Companies Law and the Articles about the redemption and purchase of the Company's own Shares, the Directors have general and unconditional authority to allot (with or without confirming rights of renunciation), grant options over or otherwise deal with any unissued Shares of the Company to such persons, at such times and on such terms and conditions as they may decide. No Share may be issued at a discount except in accordance with the provisions of the Companies Law.

4.8.2. Subject to the Articles and unless the Company shall by special resolution otherwise direct, unissued shares in the capital of the Company shall only be allotted for cash in accordance with the below:

- a. must first be offered to existing Shareholders in proportion to their respective holdings of Ordinary Shares;
- b. the offer to relevant Shareholders set out in paragraph (a) above shall be made in proportion to the existing holdings of Shares of relevant Shareholders (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any country or jurisdiction);
- c. the offer shall be made by written notice (the "offer notice") from the Directors specifying the number and price of the offer shares and shall invite each relevant Shareholder to state in writing within a period, not being less than fourteen (14) clear days, whether they are willing to accept any offer shares and, if so, the maximum number of offer shares they are willing to take;
- d. at the expiration of the time specified for acceptance in the offer notice the Directors shall allocate the offer shares to or amongst the relevant Shareholders who shall have notified to the Directors their willingness to take any of the offer shares but so that no relevant Shareholder shall be obliged to take more than the maximum number of shares notified by him under paragraph (c) above; and
- e. if any offer shares remain unallocated after the offer, the Directors shall be entitled to allot, grant options over or otherwise dispose of those shares to such persons on such terms and in such manner as they think fit save that those shares shall not be disposed of on terms which are more favourable to their subscribers than the terms on which they were offered to the relevant Shareholder, except that this Article shall not apply to Shares which are issued as bonus shares or in connection with an employee share scheme.

4.9. *Share Certificates*

4.9.1 Subject to the Companies Law, the requirements of (to the extent applicable) the AIM Rules and/or the London Stock Exchange, and the Articles, every person whose name is entered as member of the Company in the Company's register of members shall, without payment, be entitled to a certificate for all the Shares of each class held by that person and such certificate may be under the seal of the Company or executed in such other manner as the Directors determine. All certificates shall specify the class, distinguishing numbers, number of share or shares held by that person and the amount paid up thereon.

4.9.2 If a share certificate is defaced, worn-out, lost or destroyed it may be renewed on such terms as the Directors think fit.

4.10. *Calls and lien*

4.10.1. Subject to the terms of allotment, the Directors may from time to time make calls upon the Shareholders in respect of any moneys unpaid on their shares including any premium and each Shareholder shall (subject to being given at least 14 clear days' notice specifying where and when payment is to be made) pay to the Company the specified amount called on his shares. If any sum called in respect of a share is not paid before or on the day appointed for payment thereof, the person from whom it is due and payable shall pay interest on the amount unpaid from the day it became due and payable until it is paid. Interest shall be paid at a rate fixed by the terms of allotment of the share or in the notice of the call; or if no rate is fixed, at ten per cent. per annum from the day appointed for the payment thereof to the time of the actual payment. The Directors may at their discretion waive payment of any such interest in whole or in part.

4.10.2. The Company shall have a first and paramount lien on all shares (whether fully paid or not) registered in the name of a shareholder (whether solely or jointly with others). The lien is for all moneys payable to the Company by the Shareholder or the Shareholder's estate:

- a. either alone or jointly with any other person, whether or not that other person is a Shareholder; and
- b. whether or not those moneys are presently payable.

4.10.3. The Directors may declare any share to be wholly or partly exempt from the provisions in the Articles in respect of liens.

4.10.4. The Company may sell, in such manner as the Directors determine, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 clear days' after a notice demanding payment of such part of the amount in respect of which the lien exists and stating that if the notice is not complied with the shares may be sold has been given to the registered holder for the time being of the share, or the persons entitled thereto by reason of his death or bankruptcy.

4.11. *Untraceable member*

Subject to the Companies Law, the Company may sell, subject to certain conditions, any share of a Shareholder who cannot be traced if, during a period of 12 years, at least three cash dividends in respect of the share have become payable and no such dividend during that period has been claimed.

4.12. *Forfeiture of shares*

4.12.1. If a Shareholder fails to pay any call or instalment of a call on the day appointed for payment of such call or instalment, the Directors may, during such time as any part of such call or instalment remains unpaid, serve a notice on him requiring payment of so much of it as is the amount unpaid together with any interest which may have accrued and any expenses which have been incurred by the Company due to the default. The notice shall name a place where payment is to be made and shall state that in the event of non-payment at or before the time appointed the shares in respect of which the call was made will be liable to be forfeited.

4.12.2. A forfeited share may be sold, re-allotted or otherwise disposed of on such terms and in such manner as the Board determine and at any time before a sale or disposition the forfeiture may be cancelled on such terms as the Directors think fit.

- 4.12.3. A person whose shares have been forfeited shall cease to be a Shareholder in respect of the forfeited shares, but shall, notwithstanding such forfeit, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with all expenses and interest from the date of forfeiture or surrender until payment, but his liability shall cease if and when the Company receives payment in full of the unpaid amount.
- 4.12.4. A statutory declaration in writing that the declarant is a Director or the secretary of the Company, and that the particular share of the Company has been forfeited or surrendered on a date stated in the declaration, shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the forfeited share.
- 4.13. *Share premium account*
- The Directors shall, in accordance with Section 34 of the Companies Law, establish a share premium account and shall carry the credit of such account from time to time to a sum equal to the amount or value of the premium paid on the issue of any share or capital contributed or such other amounts required by the Companies Law.
- 4.14. *Transfer of shares*
- 4.14.1. All transfers of certificated shares shall be effected by an instrument of transfer, in a common form or in a form approved by the Directors and shall be signed by or on behalf of the transferor and, if the share is partly paid, by the transferor and the transferee. Transfers of uncertificated shares shall be effected without a written instrument in accordance with the CREST Regulations.
- 4.14.2. The Directors may refuse to register the transfer of a share to any person. They may do so in their absolute discretion, without giving any reason for their refusal, and irrespective of whether the share is fully paid or the Company has no lien over it, provided that the Board shall not refuse to register any transfer of any certificated shares that are fully paid in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis.
- 4.14.3. The Board shall register a transfer of title to any uncertificated share or the renunciation or transfer of any renounceable right of allotment of a share which is a participating security held in uncertificated form in accordance with the CREST Regulations, except that the Board may refuse (subject to any relevant requirements of (to the extent applicable) the AIM Rules and/or the London Stock Exchange) to register any such transfer or renunciation which is in favour of more than four persons jointly or in any other circumstance permitted by the CREST Regulations.
- 4.14.4. The Company shall register the transfer of any shares represented by Depositary Interests in accordance with the CREST Regulations and any other applicable laws and regulations. Where permitted by the CREST Regulations and any other applicable laws and regulations, the Board may, in its absolute discretion and without giving any reason for its decision, refuse to register any transfer of any share represented by a Depositary Interest.
- 4.15. *Disclosure of interests in shares*
- 4.15.1. The provisions of Disclosure Rule 5 shall be deemed to apply to the Company, so that shareholders are required under the Articles to notify the Company in accordance with the provisions of Disclosure Rule 5, if any member fails to comply with these requirements, the Directors may, by notice to the holder of the shares, suspend their rights as to attendance and voting at general meetings or to be reckoned in a quorum, dividends and transfer. Such suspension shall have effect in accordance with its terms

until a date that is not more than seven days after the Board has determined that the holder of the shares has cured the non-compliance. During the period of such suspension any dividend or other amount payable in respect of the shares shall be retained by the Company without any obligation to pay interest thereon.

4.15.2. The Directors have the power, by giving notice, to require any member to disclose to the Company the identity of any person other than the member who is interested in the shares held by the member or who has been at any time during the preceding three years been so interested, in both cases together with details of the nature of such interest. If any member has been duly served with such a notice and is in default of the prescribed period in supplying the information required then certain restrictions shall apply. The notice may direct that the member shall not be entitled to be present or vote at a general meeting or meeting of the holders of any class of shares of the Company or exercise any other right conferred by membership in relation to the meetings of the Company or holders of any class of shares or to be reckoned in a quorum. Where the default shares represent at least 0.25 per cent. of the issued shares of that class, any dividend or other money which would otherwise be payable may also be retained by the Company (bearing no interest) and transfers of default shares may also be restricted until the restrictions cease to apply.

#### 4.16. *Dividends*

4.16.1. Subject to the provisions of the Companies Law and any rights for the being attaching to any class or classes of shares, the Directors may declare dividends or distributions out of funds of the Company which are lawfully available for that purpose.

4.16.2. Subject to the provisions of the Companies Law and any rights for the being attaching to any class or classes of shares, the Company may, by ordinary resolution, declare dividends but no such dividend shall exceed the amount recommended by the Directors.

4.16.3. Subject to the requirements of the Companies Law regarding the application of a company's share premium account and with the sanction of an ordinary resolution, dividends may also be declared and paid out of any share premium account. The Directors when paying dividends to Shareholders may make such payment either in cash or *in specie*.

4.16.4. Unless provided by the rights attached to a share, no dividend shall bear interest against the Company.

#### 4.17. *General meetings*

4.17.1. The Company shall hold an annual general meeting in each calendar year, which shall be convened by the Board, but so that the maximum period between such annual general meetings shall not exceed 15 months. All general meetings other than annual general meetings shall be called extraordinary general meetings.

4.17.2. The Directors may convene general meetings whenever they think fit. General meetings shall also be convened on the written requisition of one or more of the Shareholders entitled to attend and vote at general meetings of the Company who together hold not less than 5 per cent. of the paid up voting share capital of the Company deposited in accordance with the notice provisions in the Articles, specifying the objects of the meeting and signed by each of the Shareholders making the requisition. If the Directors do not convene such meeting for a date not later than 21 clear days' after the date of receipt of the written requisition, those Shareholders who requested the meeting may convene the general meeting themselves within three months after the end of the

aforesaid 21 clear days', and all reasonable expenses incurred by them as a result of the Directors failing to convene a meeting shall be reimbursed by the Company.

- 4.17.3. At least 14 days' notice specifying the place, the day and the hour of the meeting and, subject to the AIM Rules, the general nature of that business must be given to the Shareholders, unless it is a notice of an annual general meeting, in which case at least 21 clear days' notice must be given to the Shareholders. If a resolution is proposed as a special resolution, the text of that resolution shall be given to all Shareholders. In addition notice of every general meeting shall be given to all Shareholders other than those who are not entitled to receive such notice under the provisions of the Articles or any restrictions imposed on any shares, and also to the Directors and auditors.
  - 4.17.4. Subject to the Companies Law, a meeting may be convened on shorter notice, subject to the Companies Law with the consent of the Shareholders who, individually or collectively, hold at least 90 per cent. of the voting rights of all those who have a right to vote at that meeting.
  - 4.17.5. Two members present in person or represented by proxy at a meeting shall constitute a quorum.
  - 4.17.6. If within 15 minutes from the time appointed for the general meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be cancelled. In any other case it shall stand adjourned to the same time and place seven days or to such other time or place as is determined by the Directors.
  - 4.17.7. The chairman may, with the consent of a meeting at which a quorum is present, adjourn the meeting. When a meeting is adjourned for seven days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.
  - 4.17.8. At any general meeting a resolution put to the vote of the meeting shall be decided on a show of hands, unless a poll is (before the declaration of the result of the show of hands) demanded by the chairman of the meeting or by at least two Shareholders having the right to vote on the resolutions or one or more Shareholders present who together hold not less than 10 per cent. of the voting rights of all those who are entitled to vote on the resolution, and unless a poll is so demanded, a declaration by the chairman as to the result of a resolution and an entry to that effect in the minutes of the meeting of the Company, shall be conclusive evidence of the outcome of a show of hands, without proof of the number or proportion of the votes recorded in favour of, or against, that resolution.
  - 4.17.9. If a poll is duly demanded it shall be taken in such manner as the chairman directs and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.
  - 4.17.10. In the case of an equality of votes, whether on a show of hands or on a poll, the chairman of the meeting at which the show of hands takes place or at which the poll is demanded, shall be entitled to a second or casting vote.
- 4.18. *Directors*
- 4.18.1. The Company may by ordinary resolution, from time to time, fix the maximum and minimum number of Directors to be appointed. Under the Articles, the minimum number of Directors shall be three and the maximum number of directors shall be eleven.
  - 4.18.2. A Director may be appointed by ordinary resolution or by the Directors. Any appointment may be to fill a vacancy or as an additional director.

4.18.3. The remuneration of the Directors shall be determined by the Company by ordinary resolution, except that the Directors shall be entitled to such remuneration as the Directors may determine not exceeding RMB 2,000,000 (until otherwise determined by the Company by ordinary resolution).

4.18.4. Any Director may in writing appoint another person, including another Director, to act in his place as an alternate Director. No appointment shall take effect until the Director has given notice of the appointment to the Board. All notices of meetings of Directors shall continue to be given to the appointing Director and not to the alternate. An alternate director shall be entitled to attend and vote at any Board meeting or meeting of a committee of the Directors at which the appointing Director is not personally present, and generally to perform all the functions of the appointing Director in his absence. An alternate director, however, is not entitled to receive any remuneration from the Company for services rendered as an alternate director. A Director may at any time revoke the appointment of an alternate director appointed by him.

4.19. *Share qualification*

The shareholding qualification for Directors may be fixed by the Company by ordinary resolution and unless and until so fixed no share qualification shall be required.

4.20. *Retirement and removal of directors*

4.20.1. The first Directors of the Company and all subsequent Directors shall submit themselves for re-election by the Shareholders at the first annual general meeting after their appointment. No Director shall remain in office for longer than three years since their last election or re-election without submitting themselves for re-election. At each annual general meeting, the Directors subject to retirement shall retire from office. A Director retiring at such meeting shall retain office until the dissolution of such meeting and accordingly on retiring, a Director who is re-elected or deemed to have been re-elected will continue in office without a break.

4.20.2. The Directors to retire by rotation shall be:

- a. any Director who wishes to retire and not to offer himself for re-election;
- b. any Director who has been, or who by the time of the next annual general meeting will have been, in office for three (3) years or more; and
- c. such number of additional Directors (if any) as, when added to those Directors referred to in paragraphs (a) and (b) above, equal one-third of the Directors (or, if the number of Directors is not three or a multiple of three, the number nearest to but not exceeding one-third of the Directors), provided that such additional Directors shall be those who have been longest in office. As between two or more Directors who have been in office an equal length of time, the Directors to retire shall in default of agreement between them be determined by lot. The length of time a Director has been in office shall be computed from the date of his last election or appointment when he has previously vacated office.

4.20.3. A retiring Director shall be eligible for re-election.

4.20.4. The Company at the meeting at which a Director retires in the manner aforesaid may fill the vacated office by appointing a person thereto by ordinary resolution and in default the retiring Director shall, if willing to act, be deemed to have been reappointed unless at such meeting it is expressly resolved not to fill the vacated office or a resolution for the re-appointment of such Director shall have been put to the meeting and lost. The Company at such meeting may also, subject to the Articles, fill any other vacancies.

- 4.20.5. A Director may be removed by ordinary resolution.
- 4.20.6. A Director may at any time resign or retire from office by giving to the Company notice in writing. Unless the notice specifies a different date, the Director shall be deemed to have resigned on the date that the notice is delivered to the Company.
- 4.20.7. Subject to the provisions of the Articles, the office of a Director may be terminated forthwith if:
- a. he is prohibited by the law of the Cayman Islands from acting as a Director; or
  - b. he is made bankrupt or makes an arrangement or composition with his creditors generally; or
  - c. he resigns his office by notice to the Company; or
  - d. he only held office as a Director for a fixed term and such term expires; or
  - e. in the opinion of a registered medical practitioner by whom he is being treated he becomes physically or mentally incapable of acting as a Director; or
  - f. he is given notice by the majority of the other Directors (not being less than two in number) to vacate office (without prejudice to any claim for damages for breach of any agreement relating to the provision of the services of such Director); or
  - g. he is made subject to any law relating to mental health or incompetence, whether by court order or otherwise; or
  - h. without the consent of the other Directors, he is absent from meetings of Directors for a continuous period of six months.

4.21. *Compensation for loss of office*

The provisions contained in sections 215 to 221 of the UK Companies Act 2006 in relation to payments made to Directors (or a person connected to such Directors) for loss of office and the circumstances in which such payments would require the approval of Shareholders shall apply to the Company, and the Company shall comply with such provisions as if it were a company incorporated in the United Kingdom.

4.22. *Powers and duties of directors*

- 4.22.1. Subject to the provisions of the Companies Law, the Memorandum and the Articles, the business of the Company shall be managed by the Directors, who may exercise all powers of the Company. No prior act of the Directors shall be invalidated by any subsequent alteration of the Memorandum or the Articles. However, to the extent allowed by the Companies Law, Shareholders may by special resolution validate any prior or future act of the Directors which would otherwise be in breach of their duties.
- 4.22.2. The Directors may delegate any of their powers to any committee consisting of one or more persons who need not be Shareholders and may include non-directors so long as the majority of those persons are Directors; any committee so formed shall in the exercise of the powers so delegated conform to any regulations that may be imposed on it by the Directors.
- 4.22.3. The Board may establish any local or divisional board or agency and delegate to it its powers and authorities (with power to sub-delegate) for managing any of the affairs of the Company whether in the Cayman Islands or elsewhere and may appoint any persons

to be members of a local or divisional board, or to be managers or agents, and may fix their remuneration.

4.22.4. The Directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, either generally or in respect of any specific matter, to be the agent of the Company with or without authority for that person to delegate all or any of that person's powers.

4.22.5. The Directors may from time to time and at any time by power of attorney or in any other manner they determine appoint any person, whether nominated directly or indirectly by the Directors, to be the attorney or the authorised signatory of the Company and for such period and subject to such conditions as they may think fit. The powers, authorities and discretions, however, must not exceed those vested in, or exercisable, by the Directors under the Articles. The Board may remove any person so appointed and may revoke or vary the delegation.

#### 4.23. *Proceedings of directors*

4.23.1. The Directors may meet together to discuss any matters of the Company (either within or outside the Cayman Islands) and, subject to the provisions of Articles, may regulate their meetings and proceedings as they think fit.

4.23.2. Any Director and the company secretary may at the requisition of a Director, summon a meeting of the Directors.

4.23.3. All matters discussed at meetings of the Directors shall be decided by a majority of votes. In the case of an equality of votes the chairman may, if he wishes, exercise a casting vote.

4.23.4. The quorum for the transaction of the business of the Board shall be two unless the Directors fix some other number.

4.23.5. A resolution in writing agreed by and signed by all the Directors entitled to receive notice of and vote at a meeting of the Board shall be as valid and effectual as if it had been passed at a meeting of the Board or (as the case may be) a committee of the Board duly convened and held.

4.23.6. A person entitled to be present at a meeting of the Board shall be deemed to be present for all purposes if he takes part in the meeting by way of a conference telephone, video or any other form of communications equipment which allows everybody participating in the meeting to speak to and be heard by all those present or deemed to be present simultaneously. A Director so deemed to be present shall be entitled to vote and be counted in a quorum accordingly.

4.23.7. The Directors may fill any casual vacancy in the office of Auditors to the Company.

#### 4.24. *Borrowing powers of directors*

4.24.1. Subject to paragraph 4.24.2, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets both present and future and uncalled capital or any part thereof, to issue debentures and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or its parent undertaking (if any) or any subsidiary undertaking of the Company or of any third party.

4.24.2. The Directors shall restrict the Company's borrowings and shall exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiary undertakings so as to ensure (as regards subsidiary undertakings, to the extent possible

by such exercise) that the aggregate principal amount outstanding in respect of Monies Borrowed (as defined in the Articles) by Group Undertakings (as defined in the Articles) does not, without the previous sanction of an ordinary resolution, exceed a sum equal to two and a half times the Adjusted Capital and Reserves (as defined in the Articles).

4.25. *Interests of Directors and restrictions on voting*

4.25.1. A Director shall not, as a Director, vote in respect of any contract, transaction, arrangement or proposal in which he has an interest which (together with any interest of any person connected with him) is a material interest (otherwise than by virtue of his interests, direct or indirect, in Shares or debentures or other securities of, or otherwise in or through, the Company) and if he shall do so his vote shall not be counted, nor in relation thereto shall he be counted in the quorum present at the meeting, but (in the absence of some other material interest than is mentioned below) none of these prohibitions shall apply to:

- a. the giving of any security, guarantee or indemnity in respect of:
  - i. money lent or obligations incurred by him or by any other person for the benefit of the Company or any of its subsidiaries; or
  - ii. a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- b. where the Company or any of its subsidiaries is offering securities in which offer the Director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the Director is to or may participate;
- c. any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him) does not to his knowledge hold an interest representing one per cent or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of the Articles to be a material interest in all circumstances);
- d. any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company or any of its subsidiaries under which he is not accorded as a Director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
- e. any matter connected with the purchase or maintenance for any Director of insurance against any liability or (to the extent permitted by the Companies Law) indemnities in favour of Directors, the funding of expenditure by one or more Directors in defending proceedings against him or them or the doing of anything to enable such Director or Directors to avoid incurring such expenditure.

4.25.2. A Director may, as a Director, vote (and be counted in the quorum) in respect of any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest or which falls within the above.

4.26. *Indemnity*

4.26.1. To the extent permitted by law, the Company shall indemnify each existing or former secretary, Director (including alternate director), and other officer of the Company (including an investment adviser or an administrator or liquidator) and their personal representatives against:

- a. all actions, proceedings, costs, charges, expenses, losses, damages or liabilities incurred or sustained by the existing or former secretary or officer in or about the conduct of the Company's business or affairs or in the execution or discharge of the existing or former secretary's or officer's duties, powers, authorities or discretions; and
- b. without limitation to paragraph (a), all costs, expenses, losses or liabilities incurred by the existing or former secretary or officer in defending (whether successfully or otherwise) any civil, criminal, administrative or investigative proceedings (whether threatened, pending or completed) concerning the Company or its affairs in any court or tribunal, whether in the Cayman Islands or elsewhere.

4.26.2. No such existing or former secretary or officer, however, shall be indemnified in respect of any matter arising out of his own dishonesty.

4.26.3. To the extent permitted by law, the Company may make a payment, or agree to make a payment, whether by way of advance, loan or otherwise, for any legal costs incurred by an existing or former secretary or officer of the Company in respect of any matter identified in paragraph 4.26 (a) or (b) above on condition that the secretary or officer must repay the amount paid by the Company to the extent that it is ultimately found not liable to indemnify the secretary or that officer for those legal costs.

4.27. *Capitalisation of profits*

4.27.1. The Directors may resolve to capitalise:

- a. any part of the Company's profits not required for paying any preferential dividend (whether or not those profits are available for distribution); or
- b. any sum standing to the credit of the Company's share premium account or capital redemption reserve, if any.

The amount resolved to be capitalised must be appropriated to the Shareholders who would have been entitled to it had it been distributed by way of dividend and in the same proportions.

4.28. *Distribution of assets in a liquidation*

4.28.1. If the Company is wound up, the Shareholders may, subject to the Articles and any other sanction required by the Companies Law, pass a special resolution allowing the liquidator to do either or both of the following:

- a. to divide in specie among the Shareholders the whole or any part of the assets of the Company and, for that purpose, to value any assets and to determine how the division shall be carried out as between the Shareholders or different classes of Shareholders;
- b. to vest the whole or any part of the assets in trustees for the benefit of Shareholders and those liable to contribute to the winding up.

4.28.2. The Directors have the authority to present a petition for the winding up of the Company to the Grand Court of the Cayman Islands on behalf of the Company without the sanction of a resolution passed at a general meeting.

4.29. *Takeover provisions*

4.29.1. The Company's Articles contain certain protections which are similar to those provisions of the Takeover Code. The Articles provide among other things that:

- a. if any Shareholder (or person acting in concert with such Shareholder) acquires, whether in a single transaction or by a series of transactions over a period of time, an interest in Shares which (taken together with Shares in which such Shareholder or persons acting in concert with such Shareholders are interested) carry 30 per cent. or more of the voting rights of the Company; or
- b. any Shareholder, together with persons acting in concert with such Shareholder, is interested in Shares which in the aggregate carry not less than 30 per cent. Of the voting rights of the Company but does not hold Shares carrying more than 50 per cent. of such voting rights and such Shareholder, or any person acting in concert with such Shareholder, acquires an interest in any other Shares which increases the percentage of shares carrying voting rights in which he is interested, such Shareholder (the "Offeror") shall extend an offer, to the holders of all the issued (and to be issued) Shares in the Company. An offer will not be required where control of the Company is acquired as a result of a voluntary offer made materially in accordance with the provisions of the Takeover Code (as if the Takeover Code applied to the Company) to all holders of shares.

4.29.2. An offer must be conditional only upon the Offeror having received acceptances in respect of Shares which, together with Shares acquired or agreed to be acquired before or during the offer, will result in the Offeror and any person acting in concert with it holding Shares carrying more than 50 per cent. of the voting rights of the Company.

4.29.3. An offer will not be required under the Articles, as a result of the acquisition by a person of Shares upon Admission, or as a result of the exercise by a person (or, in respect of a corporate entity, a member of that corporate entity's group) of warrants or options which were granted to such person upon Admission.

4.29.4. An offer must be in cash or be accompanied by a cash alternative at not less than the highest price paid by the Offeror or any person acting in concert with it for any interest in shares during the 12 months prior to the date upon which an announcement of that offer would have been required had the Takeover Code applied to the Company. If, after the obligation to make an offer pursuant to the Articles arises and before the offer closes for acceptance, the Offeror or any person acting in concert with it acquires any interest in Shares at above the offer price, it shall increase its offer to not less than the highest price paid for the interest in Shares so acquired.

4.29.5. When an offer is made and the Company has convertible securities outstanding, the Offeror must make an appropriate offer or proposal, on terms equivalent to the offer made for shares, to the holders of such convertible securities to ensure that their interests are safeguarded.

4.29.6. Any offer shall be made on terms that would be required by the then current Takeover Code, save to the extent that the Board otherwise determines. In relation to any offer required to be made under the Articles, any matter which under the Takeover Code would fall to be determined by the Takeover Panel shall be determined by the Board in its absolute discretion or by such person appointed by the Board to make such determination.

4.29.7. Except with the consent of an ordinary resolution of independent Shareholders on a poll, Shareholders shall comply with the requirements of the Takeover Code (as if the Takeover Code applied to the Company) in relation to any dealings in any Shares and in relation to their dealings with the Company in relation to all matters.

4.29.8. At all times when the Company is in an offer period each Shareholder shall comply with the disclosure obligations set out in Rule 8 of the Takeover Code as if the Takeover Code applied to the Company.

4.30. *Power to amend the memorandum of association and articles*

Subject to the Companies Law, the Company may, by special resolution, amend the provisions of the memorandum of association and Articles in whole or in part.

**5. Disclosure of Interests**

5.1. *Directors' and other interests*

At the date of this document and as they are expected to be immediately following Admission, the interests (all of which are beneficial unless otherwise stated) (including related financial products as defined in the AIM Rules) of the Directors (including persons connected with the Directors within the meaning of section 252 of the UK Companies Act and any member of the Director's family (as defined in the AIM Rules)) in the issued share capital of the Company are and will be as follows, including such interests, which could with reasonable diligence be ascertained by a Director:

<i>Director</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
Yang Xiao <sup>*1</sup>	6,250,000	25.0%	6,250,000	18.41%
Zhou Jiang	500,000	2.0%	500,000	1.47%
Li Chuang <sup>*2</sup>	400,000	1.6%	400,000	1.18%
Gu Yingying <sup>*3</sup>	9,250,000	37.0%	9,250,000	27.24%
James Newman	Nil	Nil	Nil	Nil
Mark Hemmann	Nil	Nil	Nil	Nil
Stephen John Roberts	Nil	Nil	Nil	Nil

\*1: Yang Xiao's shares are held through Open Sesame Investment Strategy Limited which is 76 per cent. owned by Mr. Yang and which itself owns 6,250,000 Ordinary Shares.

\*2: Li Chuang's shares are held through New Horizons Strategy Investment Co., Limited which is 65 per cent. owned by Mr. Li and which itself owns 400,000 Ordinary Shares.

\*3: Gu Yingying's shares are held as to 7,500,000 Ordinary Shares through Grand International Investment Holding Limited and as to 1,750,000 Ordinary Shares through Risingstar Capital Investment Co., Limited both of which companies are 50 per cent. owned by Ms. Gu.

5.2. Save as disclosed in this paragraph 5 or otherwise in this document:

5.2.1. none of the Directors nor any member of their families, nor any person connected with them within the meaning of section 252 of the UK Companies Act 2006, has any interest, whether beneficial or non-beneficial, in the issued share or loan capital of the Company or its subsidiary or any related financial product (as defined in the AIM Rules) referenced to the Ordinary Shares;

5.2.2. there are no outstanding loans granted or guarantees provided by any member of the Group to or for the benefit of the Directors or provided by any Director to any member of the Group;

5.2.3. no Director has any option over or warrant to subscribe for any shares in the Company;

- 5.2.4. none of the Directors has any interest, direct or indirect, in any contract or arrangement which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole, which were effected by any member of the Group and which remains in any respect outstanding or unperformed; and
- 5.2.5. save for the material contracts described in paragraph 8 of this Part VI, the service agreements and letters of appointment referred to in paragraph 7 of this Part VI, the lock-in agreements referred to in paragraph 8 of this Part VI, and the related party transactions described in paragraph 9 of this Part VI, there are no agreements, arrangements or understandings (including compensation agreements) between any of the Directors, recent directors, Shareholders or recent Shareholders connected with or dependent upon Admission.
- 5.3. As at the date of this document and so far as the Directors are aware, including the Directors and their connected persons (whose interests are set out in paragraph 5.1 above), the persons set out below are, as at the date of this document, and will immediately following Admission, be interested (as defined in Part VI FSMA and the DTR), directly or indirectly, jointly or severally in three per cent. or more of the issued share capital of the Company:

<i>Shareholder</i>	<i>At the date of this document</i>		<i>Immediately following Admission</i>	
	<i>Number of Ordinary Shares</i>	<i>Percentage of Ordinary Shares</i>	<i>Number of Ordinary Shares</i>	<i>Percentage of Enlarged Issued Share Capital</i>
A Choice Holding Ltd <sup>*4</sup>	2,000,000	8.0%	2,000,000	5.89%
Wonder International Capital Ltd <sup>*2</sup>	2,250,000	9.0%	2,250,000	6.63%
Chan's Investment Strategy Overseas Holding Ltd <sup>*3</sup>	1,000,000	4.0%	1,000,000	2.95%
Open Sesame Investment Strategy Ltd <sup>*5</sup>	6,250,000	25.0%	6,250,000	18.41%
Grand International Investment Holding Ltd <sup>*1</sup>	7,500,000	30.0%	7,500,000	22.09%
Even International Investment Holdings Co. Ltd <sup>*7</sup>	1,000,000	4.0%	1,000,000	2.95%
Good Profit Virtue Capital Ltd	750,000	3.0%	750,000	2.21%
Risingstar Capital Investment Co., Ltd <sup>*6</sup>	1,750,000	7.0%	1,750,000	5.15%
Growth Asia Capital (BVI) <sup>*8</sup>	1,000,000	4.0%	1,000,000	2.95%

\*1: Director Gu Yingying is beneficially interested in 50 per cent. of Grand International Investment Holding Limited, the remaining 50 per cent. with Xue Zhenfeng.

\*2: Beneficially owned by Chen Xiaowang.

\*3: Beneficially owned by Chen Yu.

\*4: Beneficially owned by Wang Zi.

\*5: Director Yang Xiao is beneficially interested in 76 per cent. of Open Sesame Investment Strategy Limited, the remaining 24 per cent. being held as to 12 per cent. each by Luo Jie and Yang YiHui.

\*6: Director Gu Yingying is beneficially interested in 50 per cent. of Risingstar Capital Investment Co., Limited, the remaining 50 per cent. with Jiang Mantao.

\*7: Beneficially owned by Li Xiaoyuan.

\*8: Beneficially owned by Liu Yuxing.

Save as disclosed above, the Directors are not aware of any person or persons who, directly or indirectly, have an interest in the Company which represents 3 per cent. or more of its issued share capital or voting rights who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

- 5.4. Neither the Directors nor any substantial shareholders have different voting rights to other holders of the share capital of the Company.

- 5.5. While the Articles provide for Shareholders to notify the Company of any holdings of three per cent. or more and any changes in such interests which result in a Shareholder's holding passing through one whole per cent., there are no equivalent requirements under the Companies Law. As a result, the Company may not always be able to ascertain the identity of all holders of three per cent. or more of the Company's share capital, and therefore the Company may not always be able to comply with Rule 17 of the AIM Rules.

## 6. Additional information on the Directors

- 6.1. The Directors currently hold (other than directorship of the Company) the following directorships and are partners in the following partnerships and have held the following directorships and have been partners in the following partnerships within the five years prior to the publication of this document:

<i>Director</i>	<i>Current</i>	<i>Former</i>
Yang Xiao	Shenzhen Grand Culture and Technology Development Co., Ltd Open Sesame Investment Strategy Limited	—
Zhou Jiang	Great International Wealth & Wisdom Holding Limited	—
Li Chuang	New Horizons Strategy Investment Co., Limited Kunming Qintai Culture Communication Co., Limited	—
Gu Yingying	Risingstar Capital Investment Co., Ltd. Tan Kah Kee Limited Tan Kah Kee International Society	—
James Newman	Sorbic International Plc	—
John Mark Hemmann	Southwind Equity Management Co. Ltd Kaishan Capital LLC	Goldstream Absolute Return Fund
Stephen John Roberts	Mining Investment Resources plc CFM3 Limited Cedar Gold Limited	Evolution Securities Limited

- 6.2. Save as set out in this document, none of the Directors has:
- 6.2.1. any unspent convictions in relation to indictable offences;
  - 6.2.2. any bankruptcy order made against him or entered into any individual voluntary arrangements;
  - 6.2.3. ever been a director of a company which has been placed in receivership, creditors' voluntary liquidation, compulsory liquidation or administration, or been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors, whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;
  - 6.2.4. ever been a partner in any partnership which has been placed in compulsory liquidation or administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership.

- 6.2.5. owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entering into receivership;
- 6.2.6. been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or
- 6.2.7. been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a company.

## **7. Directors' service agreements and terms of appointment**

- 7.1. The Company has entered into the following service agreements and letters of appointment:
  - 7.1.1. On 16 June 2014 Mr Yang Xiao entered into a service agreement with the Company for an initial period of 3 years pursuant to which he was appointed as Executive Director of the Company for a salary of RMB500,000 per annum and reimbursement of all his out of pocket expenses incurred in the performance of his duties from Admission. The appointment shall continue automatically from year to year and is terminable on six months' notice by either side. The Company may terminate the appointment immediately for cause, in the event that Mr Xiao is in breach of the service agreement or commits persistent misconduct or is found to be dishonest. Mr Xiao has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Group, save with the prior sanction of the Directors.
  - 7.1.2. On 16 June 2014 Mr Zhou Jiang entered into a service agreement with the Company for an initial period of 3 years pursuant to which he was appointed as Executive Director of the Company for a salary of RMB450,000 per annum and reimbursement of all his out of pocket expenses incurred in the performance of his duties from Admission. The appointment shall continue automatically from year to year and is terminable on six months' notice by either side. The Company may terminate the appointment immediately for cause, in the event that Mr Jiang is in breach of the service agreement or commits persistent misconduct or is found to be dishonest. Mr Jiang has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Group, save with the prior sanction of the Directors.
  - 7.1.3. On 16 June 2014 Mr Li Chuang entered into a service agreement with the Company for an initial period of 3 years pursuant to which he was appointed as Executive Director of the Company for a salary of RMB500,000 per annum and reimbursement of all his out of pocket expenses incurred in the performance of his duties from Admission. The appointment shall continue automatically from year to year and is terminable on six months' notice by either side. The Company may terminate the appointment immediately for cause, in the event that Mr Chuang is in breach of the service agreement or commits persistent misconduct or is found to be dishonest. Mr Chuang has agreed pursuant to the service agreement not to be engaged or interested in any business or undertaking which competes with the business of the Group, save with the prior sanction of the Directors.
  - 7.1.4. On 24 November 2014 Ms Gu Yinying entered into a service agreement with the Company for an initial period of 3 years pursuant to which she was appointed as Executive Director of the Company for a salary of RMB500,000 per annum and reimbursement of all her out of pocket expenses incurred in the performance of her duties from Admission. The appointment shall continue automatically from year to year and is terminable on six months' notice by either side. The Company may terminate the

appointment immediately for cause, in the event that Ms Yingying is in breach of the service agreement or commits persistent misconduct or is found to be dishonest. Ms Yingying has agreed pursuant to the service agreement not to engage with, or be interested in, any business or undertaking which competes with the business of the Group, for the duration of her employment and for 6 months after the termination of her employment, save with the prior sanction of the Directors.

- 7.1.5. On 9 September 2014 Mr James Newman entered into a letter of appointment with the Company for an initial term of 3 years under the terms of which he agreed to act as a non-executive chairman of the Company for a fee of £40,000 per annum and reimbursement of all out of pocket expenses incurred in the performance of his duties. The appointment is terminable on 3 months' notice by either side.
  - 7.1.6. On 1 September 2014 Mr Mark Hemmann entered into a letter of appointment with the Company for an initial term of 3 years under the terms of which he agreed to act as a non-executive director of the Company for a fee of £25,000 per annum and reimbursement of all out of pocket expenses incurred in the performance of his duties. The appointment is terminable on 3 months' notice by either side.
  - 7.1.7. On 21 January 2015 Mr Stephen Roberts entered into a letter of appointment with the Company for an initial term of 3 years under the terms of which he agreed to act as a non-executive director of the Company for a fee of £30,000 per annum and reimbursement of all out of pocket expenses incurred in the performance of his duties. The appointment is terminable on 3 months' notice by either side.
- 7.2. Save as set out above there are no contracts providing for benefits upon termination of employment of any Director.
  - 7.3. The aggregate emoluments of the Directors for the financial period ended 30 June 2014 were RMB Nil and for the period ending 31 December 2014 are expected to be approximately RMB 300,000 under the arrangements described in this document.

## **8. Material Contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company since incorporation and are, or may be, material:

### **8.1. The Company**

#### **8.1.1. Placing Agreement**

The Placing Agreement dated 21 January 2015 and made between the Company, ZAI and the Directors pursuant to which ZAI has agreed as agent for the Company to use its reasonable endeavours to procure places for the Placing Shares at the Placing Price. The Placing Agreement is conditional, *inter alia*, on Admission taking place not later than 28 February 2015 (or such later date as ZAI and the Company may agree).

#### **a) Under the Placing Agreement:**

- (i) the Company has agreed to pay ZAI a corporate advisory fee of £140,000 together with a commission of 4.2 per cent. of the gross aggregate value of all Placing Shares at the Placing Price (plus any applicable Value Added Tax) sold in the transaction;
- (ii) the Company has agreed to pay all other costs and expenses of the Placing and the related arrangements together with Value Added Tax on such costs (if any); and

- (iii) the Company and the Directors have given certain warranties to ZAI as to the accuracy of the information in this document and as to other matters relating to the Company and its business and the Company has granted an indemnity to ZAI in respect of certain liabilities arising out of or in connection with the Placing.
- b) The Placing Agreement may be terminated by ZAI if certain customary circumstances occur prior to Admission including a material breach of the warranties referred to above.

#### 8.1.2. *Nominated Adviser Agreement*

The Nominated Adviser Agreement dated 20 March 2014 and made between the Company and ZAI pursuant to which the Company has appointed ZAI to act as nominated adviser to the Company commencing on Admission. The Company has agreed to pay to ZAI a fee of £25,000 per annum (plus applicable VAT). The appointment may be terminated by either party on 3 months' written notice but it is for a minimum term in any event of 12 months, save in certain specified circumstances where either party may terminate the agreement forthwith. Under the agreement, the Company has given certain customary indemnities to ZAI in connection with its engagement as the Company's nominated adviser.

#### 8.1.3. *Broker Agreement*

The Broker Agreement dated 20 March 2014 made between the Company and ZAI pursuant to which the Company has appointed ZAI to act as broker to the Company commencing on Admission. The Company has agreed to pay ZAI a fee of £20,000 per annum (plus applicable VAT). The appointment may be terminated by either party on 3 months' notice but is for a minimum term in any event of 12 months save in certain specified circumstances where either party may terminate the agreement forthwith. Under the agreement the Company has given to ZAI certain customary indemnities in connection with its appointment as the Company's broker.

#### 8.1.4. *Lock-in Agreements*

The Lock-in Agreements pursuant to which, Locked-In Parties have each undertaken to ZAI that they shall not, except in certain specified circumstances, sell, transfer, grant any option over or otherwise dispose of the legal, beneficial or any other interest in any Ordinary Shares ("**Interest**") held by them at the date of Admission (or rights arising from any such shares or other securities or attached to any such shares) together "**Restricted Shares**") prior to the first anniversary of Admission ("**Lock In Period**"). In order to maintain an orderly market in the Ordinary Shares, the Locked-In Parties have also undertaken to ZAI that they shall (save in certain specified circumstances), for a period of six months following expiry of the Lock In Period, only dispose of any Interest in the Restricted Shares through the Company's broker (from time to time), subject to such broker providing customary best execution terms within a specified time period, failing which through another broker, in any event with a view to maintaining an orderly market in the Ordinary Shares.

#### 8.1.5. *ZAI Warrant*

The Warrant Deed dated 21 January 2015 made between the Company and ZAI pursuant to which the Company has granted to ZAI warrants to subscribe for 1,697,631 Ordinary Shares and accordingly to receive Depositary Interests representing such Ordinary Shares, as the case may be, at any time from Admission until 21 January 2020 at a subscription price per Ordinary Share of £0.00004, the nominal value of each such share (or the nominal value of Ordinary Shares following any reorganisation or restructuring of the share capital of the Company, should that take place during the currency of the Warrant Deed).

#### 8.1.6. *Depositary Agreement*

On 21 January 2015, the Company and Computershare Investor Services PLC (the “**Depositary**”) entered into an agreement for the provision of Depositary services and custody services (the “**Depositary Agreement**”), pursuant to which the Company appointed the Depositary to act as the depositary and custodian in respect of the Depositary Interests and to provide the services set out in the Depositary Agreement. The Company has agreed to pay the Depositary an annual fee of £6,000 (which shall be agreed annually) and to reimburse the Depositary for all reasonable out-of-pocket expenses. The Depositary’s maximum liability under the Depositary Agreement in respect of any twelve month period is capped at an amount equal to twice the Depositary’s fees earned in that twelve month period. The parties are required under the Depositary Agreement to indemnify each other in certain circumstances. Neither party is liable to indemnify the other in respect of any loss arising from the fraud, negligence or wilful default of the other party or as a result of a breach by the other party of the Depositary Agreement. Subject to earlier termination, the appointment of the Depositary shall continue in force until terminated by either party giving the other not less than six months’ notice.

#### 8.1.7. *Registrar’s Agreement*

The terms of the registrar agreement dated 21 January 2015 between the Company and the Registrar (the “**Registrar Agreement**”) under which the Company appoints the Registrar to maintain the Company’s share register in Cayman Islands and provide certain other services as are summarised below.

The Registrar will perform various services in its capacity as Registrar, including maintenance of the register in Cayman Islands; maintenance or dividend instruction records; registration of share transfers; preparation and despatch of dividend warrants; supplying to the Company, as soon as reasonably practicable, all necessary information so that the register be open for inspection; and arranging for the provision of facilities for the holding of general meetings including the distribution of ballot papers in the event of a poll, and the provision of scrutineers of any vote, if required.

The agreement can be terminated by either party on the giving of six months’ written notice, at any time by notice on an insolvency event occurring in relation to the other party or at any time if either party commits a material breach of its obligations which that party has failed to make good within 30 days of receipt of notice.

The Registrar shall not be liable to the Company for any loss sustained by the Company for whatever reason provided that the Registrar shall remain liable for any loss arising as a result of fraud negligence or wilful default by the Registrar.

#### 8.1.8. *Registered Office Service Provider*

On 19 March 2014, the Company entered into an agreement with the Registered Office Services Provider pursuant to which the Registered Office Services Provider has agreed to provide certain services, which shall include, *inter alia*, maintaining the Company’s registered office, statutory registers and minutes books. In return for the provision of such services, the Registered Office Services Provider shall receive a fee of US\$2,100 (in aggregate) per annum and also be reimbursed for any costs, expenses and corporate fees relating to the Company which are incurred by the Registered Office Services Provider.

#### 8.1.9. *Strategic Co-operation Agreement with Shenzhen Grand*

On 19 April 2014, Grand Group entered into a Strategic Cooperation Agreement with Shenzhen Grand. Grand Group engaged Shenzhen Grand as its non-exclusive financial consultant to seek and develop potential investment projects and resources for the Company. During the term of this agreement, in the cases Shenzhen Grand or any of its shareholders, executives, employees,

consultants or any third parties controlled by Shenzhen Grand have found, developed, obtained, known or encountered any potential investment opportunities by whatever methods, which according to the reasonable judgement of the Company, fit with the investment conditions of the Company, Shenzhen Grand shall (and shall as sure its shareholders, executives, employees, consultants or any third parties controlled by Shenzhen Grand shall) inform the Company immediately, and shall (ensure its shareholders, executives, employees, consultants or any third parties controlled by Shenzhen Grand to grant the Company the priority right to choose and invest under the same investment terms and conditions. The consideration for Shenzhen Grand to provide the services under this agreement shall be: (i) RMB 10,000 per year; and/or (ii) 0.5 per cent. of the actual amount which the Company invested into the projects introduced by Shenzhen Grand. Shenzhen Grand has also agreed to provide payroll agent services to Grand Group for the Group's China staff whereby Shenzhen Grand will pay the staff salaries on a monthly basis and will be entitled to a service fee which is equal to the aggregate remuneration paid by it to the China staff of the Group.

#### 8.1.10. *Agreements with TKK International Society ("TKK Society")*

On 9 May 2014, the Company, TKK Society and Mr. Yang Xiao entered into the Strategic Cooperation Agreement. According to the Agreement, TKK Society has agreed to provide the Company with comprehensive support on matters including but not limited to technology industrialization, financial resources, market development, personnel, fund raising, value-added services after investments.

#### 8.1.11. *Agreement with Jimei University*

On 20 June 2014, the Company entered into an agreement with Jimei University pursuant to which the Company and Jimei University intend to work together and will enter into separate agreements in respect of any specific projects that arise. Pursuant to the agreement Xiao Yang has agreed to donate to Jimei University 80 per cent. of the income from any dividends paid on his shareholding in the Company from time to time.

#### 8.1.12. *Memorandum of Understanding with Lion Global Investors*

On 20 March 2014, Grand Group entered into the Memorandum of Understanding on Cooperation with Lion Global Investors ("**Lion**") with its update signed on 30 December 2014 pursuant to which the Company was granted an exclusive option to acquire any investment entered into by Lion during a two-year period commencing 30 December 2014 ("**Investment Projects**") at the sole discretion of the Company. Such option right include the right to: (i) acquire part or all of Lion's equity interest in the Investment Projects; and/or (ii) succeed all rights and obligations of Lion in the original investment documents according to which Lion made investment in the Investment Projects ("Original Investment Documents"). With relevance to any Investment Projects, the consideration to be paid by the Company to Lion for exercising the option right and acquiring the equity interest should be equal to the consideration Lion paid for the relevant equity interest under the original Investment Documents plus reasonable fees and disbursements that Lion has spent for such investment.

#### 8.1.13. *Supplemental Agreement with Lion*

On 10 June 2014, the Company signed a supplementary agreement with Lion whereby the Company agreed that once Admission had taken place and if an investment was made in Xinya then RMB 20.0 million would be payable to Lion as a transfer fee.

8.1.14. *Comprehensive Financial Services Agreements with potential investee companies*

8.1.14.1. *Victory Agreement*

On 4 April 2014, Grand Group entered into a Comprehensive Financial Service Agreement with Victory China. Under the agreement, Grand Group has agreed to provide Victory China with financial services including introducing to Victory relevant technology and R&D, new market opportunities and customers and IPO related financial services.

8.1.14.2. *Wuxi Jin Yu Yuan Trading Company Limited (“Jin Yu Yuan”)*

On 12 June 2014, Grand Group entered into a Comprehensive Financial Service Agreement with Jin Yu Yuan for a term of two years. Under the agreement, Grand Group is engaged as an exclusive financial advisor that will provide Jin Yu Yuan services including introducing to Jin Yu Yuan relevant technology and R&D, new market opportunities and customers and IPO related financial services.

8.1.15. *Comfort letter*

On 21 January 2015, Mr. Jie Zhou, Mr. Ming Li and Mr. Haijun Liu provided an indemnity to Victory and the Company in respect of any liability of Victory China as a result of a claim for payment which it may receive due to Victory China's failure to pay various employee social benefits, including the social security fund and housing fund, and any interest, fees or penalties in relation to such payments.

8.1.16. On 21 January 2015, Hong Yang, Zeal Merger International Ltd and Good Profit Virtue Capital Ltd entered into the Orderly Marketing Agreements, pursuant to which each has undertaken to ZAI that they shall (save in certain specified circumstances), for a period of eighteen months following Admission, only dispose of any interest in their Ordinary Shares through the Company's broker (from time to time), subject to such broker providing customary best execution terms within a specified time period, failing which through another broker, in any event with a view to maintaining an orderly market in the Ordinary Shares.

8.2. *Victory China*

In addition to those material contracts summarized in paragraph 1.20 of Part II of this document and the agreement with the Company referred to in paragraph 8.1.14.1 of this Part VI, Victory China entered into an unsecured interest free loan from Mr Jie Zhou of RMB 33.0m repayable on demand the majority of which was received following the acquisition of an initial 54 vocational courseware videos and a website by Mr Jie Zhou from Shenzhen Oumo Technology Co. Ltd on behalf of Victory China. The balance of the loan was fully repaid on 31 December 2013.

8.3. *Victory WFOE*

In addition to those material contracts summarized in paragraph 1.20 of Part II of this Admission Document, on 24 April 2014, Victory WFOE and the School of Mechanical Engineering of Jiangnan University (“Jiangnan University”) entered into a co-operation agreement, pursuant to which Jiangnan University shall, *inter alia*, employ project staff and conduct research experiments sharing the results with Victory WFOE to assist it with product development and direction. Victory WFOE is obligated to provide a research fund at no less than RMB 200,000 per annum to Jiangnan University and to provide an education development fund at RMB 50,000 each year.

## **9. Related Party Transactions**

9.1. In addition to those contracts entered into to effect the VIE structure which are described in detail in paragraph 1.20 of Part II of this document and the related party transactions of Victory China described in paragraph 1.10 of Part II and paragraph 8.1.14.1 of this document, the Company has entered into the following transactions with related parties:

- 9.1.1 the Company has entered into an agreement to pay a fee of RMB20m to Lion in relation to the proposed investment in Xinya. Further details of this agreement are summarised in paragraph 8.1.12 of this Part VI;
- 9.1.2. an initial cash investment of RMB196 million was made by a related party, Shenzhen Grand for a 33.33 per cent. equity stake in Victory China in April 2014;
- 9.1.3. the Company entered into a strategic cooperation agreement with Shenzhen Grand dated 24 November 2014, further details of which are set out in paragraph 8.1.9 of this Part VI;
- 9.1.4. the Company, TKK Society and Mr. Yang Xiao entered into a strategic cooperation agreement on 9 May 2014, further details of which are set out in paragraph 8.1.10 of this Part VI;
- 9.1.5. the Company and Victory have been provided an indemnity in relation to employee benefits by the directors of Victory China, as more fully described in paragraph 8.1.15 of this Part VI; and
- 9.1.6. on 15 November 2013, Shenzhen Grand entered into a Fundraising and Listing Service Agreement with Growth Asia Capital (UK) pursuant to which it appointed Growth Asia Capital (UK) as exclusive financial advisor to the Company in relation, *inter alia*, to Admission. Shenzhen Grand has agreed to pay Growth Asia Capital (UK): (i) £60,000 in connection with Admission; and (ii) 3 per cent. commission on the gross funds raised by Growth Asia Capital (UK) in connection with Admission. Growth Asia Capital (BVI) was also granted 4 per cent. of the Company's share capital on incorporation. Shenzhen Grand has also agreed to pay Growth Asia Capital (UK) commission of 4 per cent. of deal value in relation to the completion of an M&A transaction by the Company for any targets introduced by Growth Asia Capital (UK) and an on-going advisory fee of RMB 360,000 per annum which is payable quarterly. Shenzhen Grand novated the agreement to the Company on 18 September 2015.

## **10. Litigation**

The Company is not, nor has at any time since incorporation on 4 March 2014, been engaged in any governmental, legal or arbitration proceedings and the Directors are not aware of any governmental, legal or arbitration proceedings pending or threatened by or against the Company, nor of any such proceedings having been pending or threatened at any time in the 12 months preceding the date of this document in each case which may have, or have had in the 12 months preceding the date of this document, a significant effect on the Company's financial position or profitability.

## **11. Employees**

As at the date at the end of the period covered by the financial information set out in Section A of Part V of this document, the Company had 3 employees. As at the date of this document, the Company had 15 employees, including Directors.

## **12. Share Options and Warrants**

Save as set out in this document as at 21 January 2015, being the latest practicable date prior to publication of this document, there were no outstanding options or warrants over the issued share capital of the Company.

### **13. Working capital**

The Directors are of the opinion that, having made due and careful enquiry, the working capital available to the Company will be sufficient for its present requirements, that is for at least 12 months from the date of Admission.

### **14. Intellectual Property Rights**

14.1. Save as disclosed in this document including the material contracts referred to in paragraph 8 of this Part VI of this document, Grand does not have any intellectual property rights.

14.2. *Domain names*

The Group holds the domain name [www.grandgroupplc.com](http://www.grandgroupplc.com).

14.3. *Trademarks*

The Group has no registered trademarks.

### **15. Taxation**

15.1. *United Kingdom taxation*

The following information is given in summary form based on legislation and published HMRC practice as it exists as at the date of this document. The information relates to the tax position of Shareholders in the capital of the Company who are resident or ordinarily resident in the United Kingdom for tax purposes. The statements below do not constitute advice to any Shareholder on his or her personal tax position, and may not apply to certain classes of investor (such as persons carrying on a trade in the United Kingdom or United Kingdom insurance companies).

The summary is not exhaustive and does not generally consider tax reliefs and exemptions. Any person who is in any doubt as to his or her tax position, or who is subject to taxation in any jurisdiction other than that of the UK, should consult his or her professional advisers immediately.

Investors should note that tax law and interpretation can change and that in particular the levels and basis of and reliefs from taxation may change.

15.1.1. *Taxation and chargeable gains*

If a Shareholder, who is resident or in the case of an individual ordinarily resident for tax purposes in the UK, disposes of all or any of his shares in the Company, depending on the Shareholder's particular circumstances, a liability to taxation on chargeable gains may be incurred.

Shareholders who are neither resident nor ordinarily resident in the UK will not normally be liable to UK taxation on capital gains arising on the disposal of their shares. However, non-UK shareholders will need to take specific professional advice.

15.1.2. *Stamp Duty*

In relation to the shares being issued by the Company, no liability to stamp duty or stamp duty reserve tax ("SDRT") will arise on the issue of, or on the issue of definitive share certificates in respect of, such shares by the Company other than in circumstances involving depository receipts or clearance services referred to below.

Shareholders will be registered on the Company's register in the UK. Shareholders who are "system members" of CREST may elect to hold their Shares in CREST for trading on AIM.

For as long as the Ordinary Shares are admitted to trading on AIM, pursuant to the Finance Act 2014, the conveyance or transfer on sale of Ordinary Shares held in certificated form will not be subject to ad valorem stamp duty or SDRT.

Special rules apply to agreements made by market intermediaries in the ordinary course of their business.

#### 15.1.3. *Taxation of dividends and distributions*

Under current United Kingdom tax legislation, no withholding tax will be deducted from dividends paid by the Company.

An individual shareholder who is resident in the United Kingdom for tax purposes and who receives a dividend will be entitled to a tax credit in respect of the dividend and will be taxable on the aggregate of the net dividend received and the tax credit (such aggregate being the 'gross dividend'). The value of the tax credit is currently one ninth of the net dividend (or 10 per cent. of the gross dividend). The gross dividend is treated as the top slice of such individual's income. An individual so resident who is not liable to income in respect of the gross dividend will not be able to claim repayment of the tax credit from HMRC. In the case of an individual so resident who is not liable to income tax at a rate greater than basic rate, the tax credit will discharge his liability to income tax in respect of the gross dividend and there will be no further tax to pay and no right to claim any repayment of the tax credit from HMRC. This means that individual shareholders liable to income tax only at the basic rate will be liable to income tax on dividends received from the Company at a rate equal to 10 per cent. of the gross dividend. In the case of an individual so resident who is liable to income tax at the higher rate on dividends (currently 32.5 per cent.) the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have additional tax at the rate of 22.5 per cent. of the gross dividend, to the extent that the gross dividend falls above the threshold for higher rate of income tax.

In the case of an individual so resident who is liable to income tax at the additional dividend rate of 37.5 per cent. the tax credit will be set against his tax liability in respect of the gross dividend and, accordingly, he will have additional tax at the rate of 27.5 per cent. of the gross dividend to the extent that the gross dividend falls above the threshold for the additional rate of income tax.

A corporate shareholder resident in the UK for tax purposes will generally not be subject to corporation tax on dividend payments received from the Company. Corporate shareholders will not however be able to claim repayment on any tax credits.

United Kingdom pension funds and UK charities are no longer entitled to reclaim tax credits on dividends paid by the Company.

Trustees of discretionary trusts and trusts where dividend income is accumulated are liable for tax at the rate of 37.5 per cent. of the gross dividend receipt. This is a complex area and trustees of such trusts should consult their own tax advisers.

#### 15.1.4. *Non-United Kingdom residents*

Subject to certain exemptions for individuals who are Commonwealth citizens, citizens of the Republic of Ireland, residents in the Isle of Man or the Channel Islands, or states which are part of the European Economic Area and certain others, the rights of a shareholder who is not resident in the UK (for tax purposes) to claim any part of the tax credit will depend upon the existence and terms of any double taxation treaty between the UK and the country in which that person is resident. The tax credit is 1/9th of the cash dividend paid. Persons who are not resident in the UK should consult their own tax advisers concerning their liability (in the UK and any other country) on dividends received, whether they are entitled to claim any part of the tax credit

and if so, the procedure for doing so, and whether any double taxation relief is due in any country in which they are subject to tax.

The above is a summary of certain aspects of current law and practice in the UK. A Shareholder who is in any doubt as to his tax position, or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

#### 15.2. *Cayman Islands Taxation*

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, on 25 March 2014, the Company was granted from the Governor in Cabinet:

- a) that no law which is enacted in the Cayman Islands after the date of grant of the undertaking imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable:
  - (i) on or in respect of the shares, debentures or other obligations of the Company; or
  - (ii) by way of withholding in whole or in part of any relevant payment as defined in Section 6(3) of the Tax Concessions Law (2011 Revision).

The undertaking has been granted for a period of twenty years from the date of grant.

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands.

The Cayman Islands has entered into a limited double taxation arrangement for the avoidance of double taxation and the prevention of fiscal evasion with the United Kingdom on 15 June 2009 which came into force on 20 December 2010 and is effective (in both the United Kingdom and in the Cayman Islands) from 1 April 2011 for corporation tax, from 6 April 2011 for income tax and capital gains tax and from 15 December 2010 for other taxes.

#### 15.3. *Hong Kong Taxation*

##### 15.3.1. *Taxation of dividends*

Hong Kong does not impose tax on dividend income. Dividend income received by a Hong Kong resident corporate shareholder or a Hong Kong individual shareholder from the Company, would not be taxable in Hong Kong.

##### 15.3.2. *Taxation of capital gains made by shareholders*

There is no capital gains tax in Hong Kong. As the Company is quoted on London AIM, share investment in the Company would be regarded as an offshore investment for Hong Kong tax purposes. As Hong Kong has a territorial based tax concept in which only income sourced in Hong Kong would be subject to tax, any gain on the disposal of shares by a Hong Kong resident corporate or individual shareholder would be offshore in nature and not taxable in Hong Kong.

##### 15.3.3. *Transaction taxes*

Transfer or disposal of Hong Kong stock attracts stamp duty at 0.2 per cent on the transfer price or market value of the shares at the time of transfer, whichever is higher. For stamp duty

purposes, “Hong Kong Stock” means stock the transfer of which is required to be registered in Hong Kong. Providing the Company does not maintain any statutory corporate share register in Hong Kong, the transfer or disposal of the shares of the company by its shareholders will not be registered in Hong Kong. As such, the transfer or disposal of shares by its shareholders should not be subject to Hong Kong stamp duty. Otherwise, stamp duty at 0.2 per cent would apply.

15.4. *PRC taxation on dividends*

15.4.1. Under the PRC Enterprise Income Tax Law (the “**EIT Law**”), enterprises established outside of China whose “de facto management bodies” are located in China are considered as “resident enterprises”.

15.4.2. According to the PRC Enterprise Income Tax Implementation Rules, “de facto management bodies” refer to the “management body” with the substantial and overall management and control over the production, business operations, personnel, books and records or assets.

15.4.3. Since the Company’s management is currently based in the PRC and is expected to remain in the PRC in the future, the Directors believe that the relevant tax authorities consider the Company as a resident enterprise under the EIT Law.

15.4.4. As the Company is considered as a PRC resident enterprise, an individual shareholder might be subject to a PRC withholding tax at a rate of 20 per cent. on the dividend received from the Company. If the individual shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, a more favorable tax rate may be applicable.

15.4.5. As the Company is considered as a PRC resident enterprise, a non-PRC corporate shareholder which does not have an establishment or place of business in the PRC or which has such establishment or place of business in the PRC but the dividend income is not effectively connected with such establishment or place of business, might be subject to a PRC withholding tax at a rate of 10 per cent. on the dividend received from the Company. Where the non-PRC corporate shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, a more favorable tax rate may be applicable.

15.5. *PRC taxation on the gain realised on the transfer of shares*

15.5.1. As the Company is considered as a PRC resident enterprise, an individual shareholder might be subject to a PRC withholding tax at a rate of 20 per cent. on any gain realised on the transfer of shares of the Company. If the individual shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, he/she might be exempt from the PRC withholding tax on any gain realised on the transfer of shares of the Company under certain circumstances.

15.5.2. As the Company is considered as a PRC resident enterprise, a non-PRC corporate shareholder which does not have an establishment or place of business in the PRC or which has such establishment or place of business in the PRC but the gain is not effectively connected with such establishment or place of business might be subject to a PRC withholding tax at a rate of 10 per cent. on any gain realised on the transfer of shares of the Company. Similarly, if the corporate shareholder is considered as a tax resident of a country which China has entered into a tax treaty with, it might be exempt from the PRC withholding tax on any gain realised on the transfer of shares of the Company under certain circumstance.

15.5.3. As the Company is considered as a PRC resident enterprise, a PRC corporate shareholder or a non-PRC corporate shareholder which has an establishment or place

of business in the PRC and the gain is effectively connected with such establishment or place of business will be subject to PRC EIT at the rate of 25 per cent. on any gain realized on the transfer of shares of the Company

- 15.5.4. As the Company is considered as a PRC resident enterprise, according to the PRC EIT Law and its Implementation Rules, a PRC corporate shareholder or a non-PRC corporate shareholder which has an establishment or place of business in the PRC and the dividend income is effectively connected with such establishment or place of business may be exempt from the PRC EIT on the dividend received from the Company.

## 16. CREST and Depositary Interests

### 16.1. Introduction

- 16.1.1. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by companies not incorporated in the UK, Republic of Ireland, the Isle of Man, Jersey and Guernsey, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a depositary or custodian can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs.
- 16.1.2. With effect from Admission, it will be possible for CREST members to hold and transfer interests in Ordinary Shares within CREST pursuant to a DI arrangement established by the Company with the Depositary. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will also be able to do so. No temporary documents of title will be issued.
- 16.1.3. The Ordinary Shares will not themselves be admitted to CREST. Instead the Depositary will issue DIs in respect of the underlying Ordinary Shares. The DIs will be independent securities constituted under English law which may be held and transferred through CREST. DIs will have the same international security identification number (ISIN) as the underlying Ordinary Shares and will not require a separate listing on AIM. The DIs will be created and issued pursuant to the DI Deed Poll, which will govern the relationship between the Depositary and the holders of DIs.
- 16.1.4. Application will be made for the DIs in respect of the underlying Ordinary Shares to be admitted to CREST with effect from Admission. Holders of Ordinary Shares in certificated form who wish to hold DIs through the CREST system may be able to do so and should contact the Registrar.

### 16.2. Summary of the DI Deed Poll

- 16.2.1. As mentioned above, the DIs will be created pursuant to and issued on the terms of the DI Deed Poll. The DI Deed Poll is executed by the Depositary, in favour of the holders of the DIs from time to time. Prospective holders of DIs should note that they will have no rights against Euroclear or its subsidiaries in respect of the underlying Ordinary Shares or the DIs representing them.
- 16.2.2. Shares will be transferred to an account of the Depositary or its nominated custodian (the "**Custodian**") and the Depositary will issue DIs to participating members.
- 16.2.3. Each DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to holders of DIs any stock or cash benefits received by them as holder of Ordinary Shares on trust for such

DI holder. DI holders will also be able to receive from the Depositary notices of meetings of holders of Ordinary Shares and other information to make choices and elections issued by the Company to the Shareholders.

16.2.4. In summary, the DI Deed Poll contains, *inter alia*, provisions to the following effect which are binding on holders of Depositary Interests.

The Depositary will hold (itself or through its nominated Custodian), as bare trustee, the Ordinary Shares issued by the Company and all and any rights and other securities, property and cash attributable to the Ordinary Shares and pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests.

Holders of the Depositary Interests warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary and for the account of the holders of Depositary Interests are free and clear from all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's Articles nor any contractual obligation, law or regulation. The holder of Depositary Interests indemnifies the Depositary for any losses it incurs as a result of breach of this warranty.

The Depositary and the Custodian must pass on to Depositary Interests holders and exercise on behalf of Depositary Interest holders all rights and entitlements received or to which they are entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on to the holders of Depositary Interests upon being received by the Custodian and in the form in which they are received by the Custodian together with any amendments and additional documentation necessary to effect such passing-on.

The Depositary shall re-allocate any Ordinary Shares of distributions which are allocated to the Custodian and which arise automatically out of any right or entitlement of Ordinary Shares already held by the Custodian to holders of Depositary Interests *pro rata* to the Ordinary Shares held for their respective accounts provided that the Depositary shall not be required to account for any fractional entitlements arising from such re-allocation and shall donate the aggregate fractional entitlements to charity.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not incur any liability to any holder of Depositary Interests or to any other person for any loss suffered or incurred arising out of or in connection with the transfer and prospective holders of the Depositary Interests and Ordinary Shares should refer to the terms of the Deed Poll and the Articles to ensure compliance with the relevant provisions.

The Depositary may compulsorily withdraw the Depositary Interests (and the holders of Depositary Interests shall be deemed to have requested their cancellation) if certain events occur. These events include where the Depositary believes that ownership of the Depositary Interests may result in a pecuniary disadvantage to the Depositary or the Custodian or where the Depositary Interests are held by a person in breach of the law. If these events occur the Depositary shall make such arrangements for the deposited property as it sees fit, including sale of the deposited property and delivery of the net proceeds thereof to the holder of the Depositary Interests in question.

## **17. General**

17.1. The gross proceeds of the Placing receivable by the Company are expected to amount to approximately £7.16 million. Total costs and expenses payable by the Company in connection with the Admission (including professional fees, commissions, the costs of printing and the fees payable to the registrars) are estimated to amount to approximately £1.1 million (excluding VAT).

- 17.2. Moore Stephens LLP has given and has not withdrawn its written consent to the inclusion of its reports in Parts V of this document and the references to its name in the form and context in which they are respectively included. Moore Stephens LLP, which is a member of the Institute of Chartered Accountants in England and Wales and a registered auditor, is registered in England and Wales as limited liability partnership under OC313071 and its registered office is at 150 Aldersgate Street, London EC1A 4AB. Moore Stephens LLP has been appointed as auditor to the Company.
- 17.3. ZAI Corporate Finance Limited has given and has not withdrawn its consent to the inclusion in this document of the references to its name in the form and context in which they are included.
- 17.4. Growth Asia Capital (UK) Limited has given and has not withdrawn its consent to the inclusion in this document of the references to its name in the form and the context in which they are included.
- 17.5. Save as disclosed in this document, there has been no significant change in the trading or financial position of the Company since 30 June 2014, the date to which the historical financial information of the Company in Section C of Part V of this document was prepared.
- 17.6. Save as set out in this document no person (other than a professional adviser referred to in this document or trade suppliers or customers dealing with members of the Group) has:
- 17.6.1. received directly or indirectly, from the Company within the 12 months preceding the Company's application for Admission; or
- 17.6.2. entered into contractual arrangements (not otherwise disclosed in this document) to receive directly or indirectly, from the Company on or after Admission, any of the following:
- (a) fees totalling £10,000 or more;
- (b) securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 17.7. Save as disclosed in this document, there are no investments in progress of the Company which are or may be significant.
- 17.8. Save as disclosed in this document, the Directors are unaware of any exceptional factors which have influenced the Company's recent activities.
- 17.9. Other than the current application for Admission, the Ordinary Shares have not been admitted to dealings on any recognised investment exchange nor has any application for such admission been made or refused nor are there intended to be any other arrangements for dealings in the Ordinary Shares.
- 17.10. The financial information for the relevant period set out in the Accountants' Report on the Company in Part V of this document does not constitute statutory accounts of the Company within the meaning of section 434 of the UK Companies Act 2006 and no financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company.
- 17.11. Save as disclosed in this document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 17.12. Save as disclosed in this document, there are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control in the Company.

- 17.13. Save as disclosed in this document, no public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation up to the date of this document.
- 17.14. Insofar as the Directors are aware, the percentage of Ordinary Shares not in public hands (as that expression is defined in the AIM Rules) at the date of this document is approximately 69.6 per cent., and on Admission is expected to be approximately 51.5 per cent.
- 17.15. Save as disclosed in this document, there are not, either in respect of the Company or Victory, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 17.16. Save as disclosed in this document, there are no mandatory takeover bids and/or squeeze out and sell-out rules in relation to the Ordinary Shares.
- 17.17. An investment in the Ordinary Shares is only suitable for investors who are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses which may arise from that investment (taking into account the fact that those losses may be equal to the whole amount invested). Such an investment should be seen as medium to long term in nature and complimentary to existing investments in a range of other financial assets and should not form a major part of an investment portfolio. Accordingly, typical investors in the Company are expected to be institutional investors, private client fund managers and private client brokers, as well as private individuals who have received advice from an independent financial adviser duly authorised under the Financial Services and Markets Act 2000 or other appropriately authorised overseas independent adviser who specializes in advising on the acquisition of shares and other securities.

## **18. Squeeze Out Rights Under Cayman Islands Law**

### **18.1 *Compulsory Acquisition***

- 18.1.1 Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90 per cent. in value of the shares which are the subject of the offer accept, the offer or may at any time within two months after the expiration of the said four months, by notice in the prescribed manner require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer.

### **18.2 *Mergers and Consolidations***

- 18.2.1 The Companies Law provides that any two or more Cayman Islands companies limited by shares (other than segregated portfolio companies) may merge or consolidate in accordance with the Companies Law.
- 18.2.2 The Companies Law also allows one or more Cayman Islands companies to merge or consolidate with one or more foreign companies (provided that the laws of the foreign jurisdiction permit such merger or consolidation). To effect a merger or consolidation of one or more Cayman Islands companies, the directors of each constituent company must approve a written plan of merger or consolidation in accordance with the Companies Law. The plan must then be authorised by each constituent company by a special resolution of members and such other authorization, if any, as may be specified in such constituent company's articles of association.
- 18.2.3 Where a Cayman Islands parent is merging with one or more of its Cayman Islands subsidiaries, shareholder consent is not required if a copy of the plan of merger is given to every member of each subsidiary company to be merged, unless that member argues otherwise.

18.2.4 To effect a merger or consolidation of one or more Cayman Islands companies with one or more foreign companies, in addition to the approval requirements applicable to the merger or consolidation of Cayman Islands companies (in relation to Cayman Islands company(ies) only), the merger or consolidation must also be effected in compliance with the constitutional documents of, and laws of the foreign jurisdiction applicable to, the foreign company(ies).

**19. Third party information**

Where information has been sourced from a third party, the Company confirms that the information has been accurately reproduced and that as far as it is aware and is able to ascertain from information published by each of those third parties, no facts have been omitted which would render the information reproduced inaccurate or misleading.

**20. Availability of Admission Document**

A copy of this document is available free of charge for inspection during normal business hours on any weekday (public holidays excepted) at the offices of Pinsent Masons LLP, at 30 Crown Place, Earl Street, London EC2A 4ES and the registered office of the Company from the date of this document until at least one month after the date of Admission. A copy of this document is also available on the Company's website, [www.grandgroupplc.com](http://www.grandgroupplc.com).





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