
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Net2Gather (China) Holdings Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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**NET2GATHER (CHINA) HOLDINGS LIMITED**

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

MAJOR DISPOSAL**AND****NOTICE OF SPECIAL GENERAL MEETING**

A notice convening a special general meeting of Net2Gather (China) Holdings Limited to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 16 December 2011 (Friday) at 9:30 am is set out on page 19 of this circular. Whether or not you are able to attend the meeting, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting. Completion and return of a form of proxy will not preclude you from attending and voting at the meeting should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

28 November 2011

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DEFINITIONS

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

“Announcement”	the announcement made by the Company on 9 November 2011 in respect of, among other things, the entering into of the S&P Agreement and the Disposal
“associates”	has the same meaning ascribed in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday or a Sunday) on which banks in Hong Kong are generally opened for normal banking business
“CFSG”	CASH Financial Services Group Limited (stock code: 510), a company incorporated in Bermuda with limited liability and listed on the main board of the Stock Exchange, and is currently an associated company of the Company
“Company” or “Net2Gather”	Net2Gather (China) Holdings Limited (stock code: 1049), a company incorporated in Bermuda with limited liability and the Shares are listed on the main board of the Stock Exchange
“Completion”	completion of the Disposal
“Completion Date”	the date on which the Completion occurs
“Consideration”	the consideration in the amount of HK\$50,000,000 to be payable by cash in full by the Purchaser to the Vendor for the Disposal
“Director(s)”	director(s) of the Company
“Disposal”	disposal of the Sale Shares by the Vendor to the Purchaser at the Consideration under the S&P Agreement
“Group”	the Company and its subsidiaries
“Latest Practicable Date”	23 November 2011, being the latest practicable date prior to the printing of this circular for ascertaining certain information referred to in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

DEFINITIONS

“Model Code”	the required standards of dealings regarding securities transactions by Directors or the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules
“Oberon Media”	Oberon Media, Inc., a company incorporated in Delaware, United States and the principal activities of which are developing and licensing games and related content
“PRC”	the People’s Republic of China, which for the purpose of this circular excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	深圳飛斯信息技術有限公司 (translated as “Shenzhen Fei Si Information Technology Company Limited”), a company established under the laws of the PRC with limited liability
“Sale Shares”	5,100 ordinary shares of HK\$1.00 each, representing a 51% equity interest, in Yole Wireless
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held on 16 December 2011 at 9:30 am for the purpose of considering and, if thought fit, to approve the S&P Agreement and the transactions contemplated thereunder, notice of which is set out on page 19 of this circular
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“S&P Agreement”	a formal sale and purchase agreement dated 9 November 2011 entered into between the Vendor and the Purchaser after the trading hours on 9 November 2011 in relation to the Disposal
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Vendor” or “Mov2Gather”	Mov2Gather Limited, a company incorporated in the British Virgin Islands with limited liability, is beneficially holding the Sale Shares. It is currently a subsidiary of the Group

DEFINITIONS

“Yole Wireless”	Yole Wireless Technology (Hongkong) Co., Limited, a company incorporated in Hong Kong with limited liability, which is the holding company of the Yole Group. It is currently a 51%-owned subsidiary of Mov2Gather (a subsidiary of the Group)
“Yole Group”	Yole Wireless, Zhang Zhong Wu You, You Le and Yu Zhong. The Yole Group is engaged in mobile digital entertainment business in the PRC
“You Le”	廣州悠樂無線科技有限公司 (translated as “Guangzhou You Le (Wireless) Technology Company Limited”), a company established under the laws of the PRC with limited liability, which has entered into a series of contractual arrangements with Zhang Zhong Wu You
“Yu Zhong”	廣州娛眾信息技術有限公司 (translated as “Guangzhou Yu Zhong Information Technology Company Limited”), a company established under the laws of the PRC with limited liability, which has entered into a series of contractual arrangements with Zhang Zhong Wu You
“Zhang Zhong Wu You”	掌中無優 (北京) 科技有限公司 (translated as “Zhang Zhong Wu You (Beijing) Technology Company Limited”), a company established under the laws of the PRC with limited liability, and is a direct subsidiary of Yole Wireless
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“US\$”	United States dollars, the lawful currency of the United States

Unless otherwise specified in this circular, (i) amounts denominated in RMB have been translated, for illustration only, into HK\$ at exchange rate of RMB1.00=HK\$1.2277 and (ii) amounts denominated in US\$ have been translated, for illustration only, into HK\$ at exchange rate of US\$1.00=HK\$7.78.

LETTER FROM THE BOARD



NET2GATHER (CHINA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

Board of Directors:

Executive:

KWAN Pak Hoo Bankee
LAW Ping Wah Bernard
NG Kung Chit Raymond

Independent non-executive:

LEUNG Ka Kui Johnny
WONG Chuk Yan
CHAN Hak Sin

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business:*

28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

28 November 2011

To Shareholders

Dear Sir/Madam,

MAJOR DISPOSAL

AND

NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

On 9 November 2011, the Board made the Announcement relating to the Disposal.

Under the Listing Rules, the Disposal constituted a major disposal for the Company. Accordingly, the Disposal is conditional upon, among other things, the approval of the Shareholders at the SGM. As no Shareholder has material interest in the Disposal, no Shareholder is required to abstain from voting at the SGM.

The purpose of this circular is to give you further information regarding the S&P Agreement, the Disposal and the notice of the SGM at which an ordinary resolution will be proposed to approve the S&P Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

THE S&P AGREEMENT

Date: 9 November 2011

Parties:

The Vendor: Mov2Gather Limited, a subsidiary of the Company.

The Purchaser: 深圳飛斯信息技術有限公司 (translated as “Shenzhen Fei Si Information Technology Company Limited”). Its principal business activities are sales and technology development of mobile handsets’ contents and products in the PRC.

To the best of the Directors’ knowledge, information and belief, after having made all reasonable enquiries, the Purchaser and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Assets to be disposed: the Sale Shares, representing a 51% equity interest in Yole Wireless (an investment holding company incorporated in Hong Kong), being all the interests held by the Vendor in Yole Wireless.

Consideration: HK\$50,000,000 to be payable by cash in full.

The Consideration was determined after arm’s length negotiation between the Vendor and the Purchaser on normal commercial terms with reference to the net asset value of the Sale Shares and the historical financial performance of the Yole Group. The Consideration represents a 71.8% premium over the net asset value of the Sale Shares of HK\$29.1 million as shown in the unaudited consolidated accounts of Yole Wireless as at 30 September 2011.

The Directors are of the view that the terms of the Disposal are fair and reasonable and are in the best interests of the Company and the Shareholders as a whole.

Payment terms: The Consideration has been/shall be paid by cash in full by the Purchaser to the Group in the following manners:

- (a) HK\$4,500,000 (9% of the Consideration) has been paid as deposit upon the signing of the S&P Agreement;
- (b) HK\$28,204,000 (56.4% of the Consideration) will be paid on the Completion Date; and

LETTER FROM THE BOARD

- (c) the remaining balance of HK\$17,296,000 (34.6% of the Consideration) will be paid on or before 13 April 2012 in accordance with the following payment schedule:
- (i) HK\$3,156,000 will be paid on or before 13 January 2012;
 - (ii) HK\$4,500,000 will be paid on or before 13 February 2012;
 - (iii) HK\$4,500,000 will be paid on or before 13 March 2012;
and
 - (iv) HK\$5,140,000 will be paid on or before 13 April 2012.

If the Purchaser breaches the above payment undertaking and does not pay after 5 Business Days upon the serve of written notice by the Vendor, the Vendor has the right to terminate the S&P Agreement. All deposits paid by the Purchaser are not required to refund to the Purchaser and the Vendor reserves the rights to take legal action against the Purchaser.

Upon the Completion, the Purchaser will enter into a deed of share charge with the Vendor pursuant to which the Purchaser will charge to the Vendor 17.64% of the entire issued share capital of Yole Wireless as security for the due and punctual payment of the remaining balance of the Consideration of HK\$17,296,000 by the Purchaser to the Vendor pursuant to the S&P Agreement. The deed of share charge will be released upon full payment of remaining balance of the Consideration on or before 13 April 2012.

Conditions precedent:

Completion is conditional upon, among others, the satisfaction of the following conditions:

- (a) the approval by the Shareholders at the SGM for the S&P Agreement and the transactions contemplated thereunder;
- (b) the compliance by the Company with other requirements of the Listing Rules, applicable laws and the bye-laws of the Company in respect of the S&P Agreement and the transactions contemplated thereunder; and
- (c) the obtaining of all necessary consents, approvals, licences and authorisation (if necessary) by the Company in relation to the S&P Agreement and the transactions contemplated thereunder.

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Neither party may waive any of the above conditions. If the above conditions have not been fulfilled on or before 31 December 2011 (or such later date as may be agreed between the parties to the S&P Agreement), the S&P Agreement shall cease and determine, whereupon the Vendor shall forthwith refund the deposit, without interest, to the Purchaser and none of the parties thereto shall have any other obligations and liabilities thereunder under the S&P Agreement.

The Completion:

Completion of the S&P Agreement shall take place upon all the conditions have been fulfilled on or before 31 December 2011 (or such later date as may be agreed between the parties to the S&P Agreement).

INFORMATION ABOUT YOLE WIRELESS

Yole Wireless is currently a 51%-owned subsidiary of Mov2Gather (a subsidiary of the Group). Yole Wireless is the holding company of the Yole Group, which is a provider of mobile digital entertainment contents for mobile handsets in the PRC since 2008. Its products include a number of mobile games and pre-loaded thematic apps.

The unaudited consolidated net profit (before and after taxation) of the Yole Group for the year ended 31 December 2009 were about RMB4.1 million (equivalent to about HK\$5.0 million) and RMB4.0 million (equivalent to about HK\$4.9 million) respectively, and the unaudited consolidated net profit (before and after taxation) of the Yole Group for the year ended 31 December 2010 were about RMB22.5 million (equivalent to about HK\$27.6 million) and RMB19.2 million (equivalent to about HK\$23.6 million) respectively.

The unaudited consolidated net asset value of the Yole Group as at 31 December 2010 was about RMB39.6 million (equivalent to about HK\$48.6 million). The unaudited consolidated net asset value of the Yole Group as at 30 September 2011 was about HK\$57.0 million.

LETTER FROM THE BOARD

REASON FOR THE DISPOSAL

The Yole Group, as a predominant provider of mobile digital entertainment content specialising in the feature phone market in the PRC, is set to enter into the smart phone market, an irreversible global trend which requires enormous capital investment in technology enhancement and system re-deployment for the conversion into the smart phone market. Amid the recent high volatility in the global stock market and the unstable world economic situation, the Board adopts a cost leadership and more prudent approach to preserve capital strength for future investment opportunities. Having considered the offer of the Purchaser, the Board considers that the Disposal will further strengthen the cash position of the Group. The proceeds from the Disposal are intended to be used for general working capital of the Group. The Board is confident to further develop the Company into a leading mobile Internet provider as the Group, possessing hands-on experience and network, is immersed with ample opportunities to develop in the smart phone market in the PRC.

The Board considers that the terms of the S&P Agreement are fair and reasonable and on normal commercial terms, and the entering into of the S&P Agreement is in the interests of the Company and the Shareholders as a whole.

EFFECTS OF THE DISPOSAL ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP

Upon the Completion, Yole Wireless will cease to be a subsidiary of the Group and its financial results will cease to be consolidated into the consolidated accounts of the Group.

Earnings

Based on the unaudited consolidated accounts of Yole Wireless as at 30 September 2011, the Group expects to record a loss of approximately HK\$51.0 million from the Disposal, which is calculated with reference to the Consideration less the carrying value attributable to the Sale Shares as at 30 September 2011 and the goodwill of approximately HK\$71.9 million aroused upon acquisition of the Sale Shares by the Group.

According to the unaudited management accounts of the Yole Group for the year ended 31 December 2010 (as disclosed under the heading “Information about Yole Wireless” in this letter from the Board), the Yole Group recorded profit-making position. Upon the Completion, it is expected that the earnings of the Group would be decreased.

Assets and liabilities

Based on the total assets and total liabilities of the Yole Group as at 30 September 2011 as shown in the unaudited consolidated accounts of the Yole Group as at 30 September 2011, it is expected that the total assets and total liabilities of the Group will be decreased by approximately HK\$61.3 million and HK\$10.3 million respectively upon the Completion.

LETTER FROM THE BOARD

FINANCIAL AND TRADING PROSPECT OF THE GROUP

Net2Gather (China) Holdings Limited (“Net2Gather”, or the “Group”) is a Mobile Internet service provider in China. The current principal activities of the Group are the provisions of (1) online gaming business (development of online games, sale of related auxiliary products and licensing of gaming services), (2) Mobile Internet business (content development, operation, marketing and distribution of mobile and social games with related services), and investment holding.

Net2Gather operates the online games platform through its subsidiary Moliyo Group, which has a database of more than 40 million subscribers for its existing award-winning online games. The veteran game developer has recently developed two next-generation and much-anticipated Massively Multiplayer Online Role-playing Games (MMORPGs), “Tales of Ocean Fantasy” and “Superhero”. These are expected to be launched in 2012. “Tales of Ocean Fantasy” and “Superhero” have already been named the “Most Anticipated Online Game” and “Best Self-Developed Online Game”, respectively, in China’s prestigious Golden Plume Awards. iPhone versions of these games are also being developed. The Board is confident that the two new games will make significant revenue contribution to the Group in the days ahead. Moliyo is dedicated to its two-pronged approach in enriching its gaming portfolio — self-development and licensing of well-received game titles from overseas developers. Moliyo is also one of the leading publishers in China’s online gaming industry, which generates scalable income to fuel the Moliyo’s development.

Net2Gather’s mobile internet business operates through its subsidiary Oberon Information Technology (Suzhou) Co., Ltd. Its mobile game portfolio includes Oberon Media’s 1,200-plus casual games, which will be localised and marketed to capture the burgeoning Mobile Internet market. Invested by Goldman Sachs, Morgan Stanley and Oak Investment Partners, Oberon Media is one of the largest global social game developers, whose game solutions are adopted by some of the world’s innovative corporations, including Microsoft, AT&T, Electronic Arts, Orange France and Yahoo!. Thus far, two games have been completed porting and localisation, and were launched in China. The mobile team is also developing a multi-player mobile social game based on the Apple iOS and soon the Android platforms, both targeted at the fast growing smart phone market in China. Moreover, Net2Gather also intends to seek strategic partnerships with leading mobile content developers and publishers in North America and Japan in order to introduce quality mobile game titles into China.

The Group is committed to aggregating various Mobile Internet services into an integrated platform, including content (upstream), operating platforms (midstream) and distribution channels (downstream), via mergers and acquisitions. Net2Gather aims to build a cross-value chain of activities to enable people to come together in an online community in China that combines Mobile, Internet and Television platforms in line with the move towards convergence.

GENERAL

Under the Listing Rules, the Disposal constituted a major disposal for the Company. Accordingly, the Disposal is conditional upon, among other things, the approval of the Shareholders at the SGM. As no Shareholder has material interest in the Disposal, no Shareholder is required to abstain from voting at the SGM.

LETTER FROM THE BOARD

THE SGM

Set out on page 19 of this circular is a notice convening the SGM to be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong at 9:30 am on 16 December 2011.

At the SGM, an ordinary resolution for approving the S&P Agreement and the transactions contemplated thereunder will be proposed for the Shareholders' approval.

The resolution will be voted by way of poll at the SGM. As no Shareholder has material interest in the Disposal, no Shareholder will be required to abstain from voting on the resolution to approve the Disposal.

A form of proxy for use at the SGM is enclosed with this circular. Whether or not you are able to attend the SGM, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as possible and in any event by not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

RECOMMENDATION

The Directors are of the view that the S&P Agreement and the Disposal are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution as set out in the notice of the SGM.

ADDITIONAL INFORMATION

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

Yours faithfully,
On behalf of the Board
Bankee P Kwan
Chairman & CEO

1. STATEMENT OF INDEBTEDNESS

As at the close of business on 23 November 2011, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following indebtedness:

Borrowings

As at 31 October 2011, the Group had total outstanding borrowings of approximately HK\$152.5 million, comprising unsecured loan of approximately of HK\$19.5 million payable to certain independent third parties, secured loan of approximately of HK\$80.7 million payable to an independent third party and bank loans of HK\$52.3 million including mortgage loans of HK\$32.3 million and secured revolving loan of HK\$20 million. Mortgage loan and revolving loan in aggregate of HK\$52.3 million were secured by the Group's investment properties with carrying amounts of approximately HK\$95.8 million. The secured loan of approximately of HK\$80.7 million payable to an independent third party, which was secured by the shares of Celestial Investment Group Limited (a wholly-owned subsidiary of the Company) as at 31 October 2011.

In addition, the Group had an outstanding obligation under a finance lease of approximately HK\$1.4 million as at 31 October 2011.

Contingent liabilities

As at 31 October 2011, the Group had litigations/claims as disclosed in the paragraph "Litigation of the Group" in Appendix II to this circular.

Save as aforesaid, the Group had no other material contingent liabilities as at 31 October 2011.

Disclaimers

Save as aforesaid, and apart from intra-group liabilities, the Group did not have any outstanding debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, bank overdrafts and loans, other loans or other similar indebtedness, liabilities under acceptance or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantee or other material contingent liabilities, at the close of business on 31 October 2011.

The Board has confirmed that, save as disclosed above, there has not been any material change in the indebtedness or contingent liabilities of the Group since 31 October 2011.

2. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources and banking facilities available to the Group, its internally generated funds and the proceeds from the Disposal, in absence of unforeseen circumstances, the Group has sufficient working capital for its present requirement for the next twelve months from the date of this circular.

1. RESPONSIBILITY STATEMENT

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

2. DIRECTORS' INTERESTS

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

A. The Company

(a) Long positions in the Shares

Name	Capacity	Number of Shares			Shareholding (%)
		Personal	Family interest	Corporate interest	
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	3,600,000	-	1,178,701,378*	32.00
Law Ping Wah Bernard	Beneficial owner	107,408,720	-	-	2.91
Ng Kung Chit Raymond	Beneficial owner and family interest	3,399,600	345,600	-	0.10
		<u>114,408,320</u>	<u>345,600</u>	<u>1,178,701,378</u>	<u>35.01</u>

* The Shares were held by Cash Guardian Limited ("Cash Guardian"). Mr Kwan Pak Hoo Bankee ("Mr Kwan") was deemed to be interested in all these Shares as a result of his interests in Cash Guardian as disclosed in the "Substantial Shareholders" below.

(b) Long positions in the underlying shares – options under share option schemes

Name	Date of grant	Option period	Exercise price per Share (HK\$)	Number of options outstanding	Percentage to issued Shares (%)
Kwan Pak Hoo Bankee	3/6/2010	3/6/2010 – 31/5/2012	0.1667	24,000,000	0.65
Law Ping Wah Bernard	3/6/2010	3/6/2010 – 31/5/2012	0.1667	24,000,000	0.65
Ng Kung Chit Raymond	3/6/2010	3/6/2010 – 31/5/2012	0.1667	12,000,000	0.32
				60,000,000	1.62
				60,000,000	1.62

Notes:

- (1) Mr. Kwan is also the substantial Shareholder.
- (2) The options are held by the Directors in the capacity of beneficial owners.

B. Associated corporation (within the meaning of SFO)*CFSG**(a) Long positions in the ordinary shares of HK\$0.02 each*

Name	Capacity	Number of shares			Shareholding (%)
		Personal	Family interest	Corporate interest	
Kwan Pak Hoo Bankee	Beneficial owner and interest in a controlled corporation	–	–	1,725,160,589*	44.02
Law Ping Wah Bernard	Beneficial owner	27,506,160	–	–	0.70
Ng Kung Chit Raymond	Beneficial owner and family interest	5,577,000	99,000	–	0.14
		33,083,160	99,000	1,725,160,589	44.86
		33,083,160	99,000	1,725,160,589	44.86

* The shares were held as to 1,657,801,069 shares by Celestial Investment Group Limited (“CIGL”), a wholly-owned subsidiary of Praise Joy Limited (which was 100% beneficially owned by the Company), and as to 67,359,520 shares by Cash Guardian. The Company was beneficially owned as to 32.00% by Mr Kwan and Cash Guardian (which was 100% beneficially owned by Mr Kwan, details of which were disclosed in the “Substantial Shareholders” below). Pursuant to the SFO, Mr Kwan was deemed to be interested in all the shares held by CIGL and Cash Guardian in CFSG.

Out of the above 1,725,160,589 shares in aggregate, a total of 1,707,220,589 shares were under two share charges dated 14 July 2011 in favour of Wah Sun Finance Limited (which was owned (1) as to 50% by Hyper Chain Limited (which was 100% controlled by Estate of Kung, Nina (see below definition)); and (2) as to 50% by Joseph Lo Kin Ching and Lai Kar Yan also known as Derek Lai Kar Yan solely as Joint and Several Administrators pendente lite of the Estate of Kung, Nina (“Estate of Kung, Nina”). According to the SFO, the Estate of Kung, Nina was deemed to be interested in such 1,707,220,589 shares, representing 43.56% of issued shares of CFSG.

(b) *Long positions in the underlying shares – options under share option scheme*

Name	Date of grant	Option period	Exercise price per share (HK\$)	Number of options outstanding	Percentage to issued shares (%)
Kwan Pak Hoo Bankee	15/10/2010	15/10/2010 – 31/10/2012	0.2764	22,000,000	0.56
Law Ping Wah Bernard	15/10/2010	15/10/2010 – 31/10/2012	0.2764	33,000,000	0.84
Ng Kung Chit Raymond	15/10/2010	15/10/2010 – 31/10/2012	0.2764	5,500,000	0.14
				60,500,000	1.54

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, chief executive or their associates had any interests and short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or (b) were recorded in the register required to be kept under section 352 of the SFO, or (c) were otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, the persons/companies, other than a Director or chief executive of the Company, who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO were as follows:

Name	Capacity	Number of Shares	Shareholding (%)
Hobart Assets Limited (Note)	Interest in a controlled corporation	1,178,701,378	31.91
Cash Guardian (Note)	Beneficial owner	1,178,701,378	31.91

Note: This refers to the same number of Shares held by Cash Guardian, a wholly-owned subsidiary of Hobart Assets Limited, which in turn was 100% beneficially owned by Mr Kwan. Pursuant to the SFO, Mr Kwan (a director whose interests are not shown in the above table) and Hobart Assets Limited were deemed to be interested in the Shares held by Cash Guardian. Together with 3,600,000 Shares held by Mr Kwan in his personal name, Mr Kwan was beneficially interested in a total of 1,182,301,378 Shares, representing 32.00% shareholding interest in the Company. The above interest of Mr Kwan has already been disclosed in the section headed "Directors' interests" above.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors and chief executive of the Company, no other parties (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any interest in a business which competes or may compete with the business of the Group.

5. SERVICE CONTRACT

As at the Latest Practicable Date, none of the Directors has any existing or proposed service contracts with any member of the Group (excluding contracts expiring or terminable by the employer within one year without payment of compensation (other than statutory compensation)).

6. INTEREST OF DIRECTORS IN THE GROUP'S ASSETS

Since 31 December 2010 (the date to which the latest published audited accounts of the Group have been made up), each of the Directors did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to the Group or are proposed to be acquired or disposed of by or leased to the Group and no Director was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. INTEREST OF DIRECTORS IN CONTRACTS

The Directors confirm that there is no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested which was significant in relation to the business of the Group.

8. LITIGATION OF THE GROUP

On 16 March 2010, ESTsoft Corporation (“ESTsoft”) filed a civil action against 上海摩力游數字娛樂有限公司 (translated as “Shanghai Moliyo Digital Entertainment Limited”) (“Shanghai Moliyo”), a wholly-owned subsidiary of the Company, under which ESTsoft claimed that Shanghai Moliyo was an infringement act against the online game licenses granted and claimed for the loss of approximately RMB8,227,000 (equivalent to approximately HK\$10,100,287.90). On 25 October 2011, judgment was granted by the Court and it was held that Shanghai Moliyo had to pay ESTsoft a sum of RMB3,000,000 (equivalent to approximately HK\$3,683,100), being the compensation of the infringement act and a sum of RMB72,771 (equivalent to approximately HK\$89,340.95) being the legal cost of the proceedings. An appeal was recently lodged by the legal representative of Shanghai Moliyo to the Supreme Court in Shanghai.

Save as disclosed above, neither the Company nor any other company in the Group is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened against either the Company or any other company in the Group as at the Latest Practicable Date.

9. MATERIAL CONTRACTS

The following contracts are contracts that are or may be material, not being contracts entered into during the ordinary course of business, and have been entered into by the Group within two years preceding the Latest Practicable Date:

- (a) the placing and top up agreement dated 23 July 2010 entered into between the Company, Cash Guardian Limited (“Cash Guardian”) (the controlling Shareholder) and Celestial Securities Limited (“Celestial Securities”) (a then subsidiary of the Company) as the placing agent in relation to (i) the placing of 20,000,000 issued Shares held by Cash Guardian by Celestial Securities to certain placees (independent third parties) at the placing price of HK\$2.50 per Share and (ii) the subscription by Cash Guardian for 20,000,000 new top up Shares at the top up price of HK\$2.50 per Share;
- (b) the placing agreement dated 14 December 2010 entered into between the Company and Celestial Securities (a then subsidiary of the Company) as the placing agent in relation to the placing of 160,000,000 new Shares by Celestial Securities to certain placees (independent third parties) at the placing price of HK\$0.77 per Share. This agreement was subsequently terminated by a termination agreement dated 28 December 2010 entered into by the same parties to the aforesaid placing agreement;

- (c) the sale and purchase agreement dated 11 January 2011 entered into between Mov2Gather (formerly known as Moli Mobile Limited) as purchaser and Injoy Information Technology Co., Limited (an independent third party) as vendor in relation to the acquisition of 51% equity interest in Yole Wireless at the consideration of RMB81,600,000 (equivalent to approximately HK\$117,371,262.91);
- (d) the equity transfer agreement dated 12 February 2011 entered into between Mov2Gather (formerly known as Moli Mobile Limited) as purchaser and Oberon Media Asia Pacific Pte. Ltd. (an independent third party) as vendor in relation to the acquisition of the entire registered capital of Oberon Information Technology (Suzhou) Co. Ltd. at the consideration of US\$10,000,000 (equivalent to HK\$77,800,000). This agreement was subsequently superseded by new equity transfer agreement(s) all dated 7 June 2011 entered into among Mov2Gather as purchaser and the respective new vendors namely (1) Oberon Media Enterprises Ltd., (2) Infinity I China Fund (Israel), L.P., (3) Infinity I China Fund (Israel 2), L.P., (4) Infinity I China Fund (Israel 3), L.P., (5) Infinity I China Fund (Cayman), L.P. and (6) Stone Drum Capital Advisory Inc. (all are independent third parties) in relation to the acquisition of the entire registered capital of Oberon Media Asia Pacific Pte. Ltd. at the same consideration of US\$10,000,000 (equivalent to HK\$77,800,000);
- (e) the placing and top up agreement dated 1 April 2011 entered into between the Company, Cash Guardian (the controlling Shareholder) and Celestial Securities (an associated company of the Company) as the placing agent in relation to (i) the placing of 100,000,000 issued Shares held by Cash Guardian by Celestial Securities to certain placees (independent third parties) at the placing price of HK\$0.50 per Share and (ii) the subscription by Cash Guardian for 100,000,000 new top up Shares at the top up price of HK\$0.50 per Share;
- (f) the placing and top up agreement dated 3 June 2011 entered into among the Company, Cash Guardian (the controlling Shareholder), Mr Law Ping Wah Bernard (a Director) and Celestial Securities (an associated company of the Company) as the placing agent in relation to (i) the placing of a total of 208,000,000 issued Shares held by Cash Guardian and Mr Law by Celestial Securities to certain placees (independent third parties) at the placing price of HK\$0.51 per Share and (ii) the subscription of new top up Shares as to 107,000,000 Shares by Cash Guardian and as to 101,000,000 Shares by Mr Law respectively at the top up price of HK\$0.51 per Share;
- (g) the conditional subscription agreement dated 14 June 2011 entered into between the Company and Abdulrahman Saad Al-Rashid & Sons Company Limited (an independent third party) in relation to the subscription of the convertible note for US\$12,000,000 (equivalent to approximately HK\$93,600,000) at the conversion price of HK\$0.50 per Share by Abdulrahman Saad Al-Rashid & Sons Company Limited. This agreement was subsequently terminated by a termination agreement dated on 30 June 2011 entered into by the same parties to the aforesaid subscription agreement;

- (h) the facility agreement dated 14 July 2011 entered into between Praise Joy Limited (a wholly-owned subsidiary of the Company) as borrower and Wah Sun Finance Limited as lender in relation to a revolving loan facility of HK\$80,000,000 for a term from 14 July 2011 up to and including 30 June 2013; and
- (i) the S&P Agreement.

10. MISCELLANEOUS

- (a) The secretary of the Company is Ms Luke Wing Sheung Suzanne, *a fellow member of The Institute of Chartered Secretaries and Administrators.*
- (b) The head office and the principal place of business of the Company in Hong Kong are at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The principal share registrars and transfer office of the Company in Bermuda are HSBC Bank Bermuda Limited at The Bank of Bermuda Building, 6 Front Street, Hamilton HM 11, Bermuda. The branch share registrars and transfer office of the Company in Hong Kong is Tricor Standard Limited at 26/F Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong during normal business hours on any day up to the holding of the SGM:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts referred to in paragraph 9 above;
- (c) the audited consolidated financial statements of the Group for the two financial years ended 31 December 2010; and
- (d) the circulars issued by the Company since 31 December 2010, the date to which the latest published audited accounts of the Group were made up.

NOTICE OF THE SGM



NET2GATHER (CHINA) HOLDINGS LIMITED

(Incorporated in Bermuda with limited liability)

(Stock code: 1049)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a Special General Meeting of Net2Gather (China) Holdings Limited (“Company”) will be held at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong on 16 December 2011, Friday, at 9:30 am for the purpose of considering and, if thought fit, passing the following resolution of the Company:

ORDINARY RESOLUTION

“**THAT**, the sale and purchase agreement dated 9 November 2011 (“S&P Agreement”, copy of which has been produced to the Meeting and marked “A” and signed by the chairman of the Meeting for the purpose of identification) entered into between Mov2Gather Limited (a subsidiary of the Company) as vendor and 深圳飛斯信息技術有限公司 (translated as “Shenzhen Fei Si Information Technology Company Limited”) as purchaser in relation to the disposal of 51% equity interest in Yole Wireless Technology (Hongkong) Co., Limited at a consideration of HK\$50,000,000 to be payable by cash in full subject to the terms and conditions as set out in the S&P Agreement and described in the circular of the Company dated the same date of this notice, and the transactions contemplated thereunder, be and are hereby approved and the directors of the Company (“Directors”) be and are hereby authorised to do such things or make such arrangement as they may think fit to give effect to the completion of the S&P Agreement and the transactions contemplated thereunder.”

By order of the Board
Suzanne W S Luke
Company Secretary

Hong Kong, 28 November 2011

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

*Head office and principal place of business in
Hong Kong:*
28/F Manhattan Place
23 Wang Tai Road
Kowloon Bay
Hong Kong

NOTICE OF THE SGM

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or, if he is holder of more than one share, more proxies to attend and, in the event of a poll, vote on his behalf. A proxy need not be a member of the Company. A form of proxy is also enclosed for the meeting.

2. In order to be valid, the form of proxy must be deposited at the principal place of business of the Company in Hong Kong at 28/F Manhattan Place, 23 Wang Tai Road, Kowloon Bay, Hong Kong together with a power of attorney or other authority, if any, under which it is signed, or a certified copy of that power of attorney or other authority, not less than 48 hours before the time for holding the special general meeting or any adjournment thereof.