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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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

**If you have sold or transferred** all your shares in **Capinfo Company Limited\***, you should at once hand this circular to the purchaser or to the transferee, or to the bank, licensed securities dealer or registered institution in securities through whom the sale was effected for transmission to the purchaser or the transferee.

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**CAPINFO**  
**CAPINFO COMPANY LIMITED\***  
**首都信息發展股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1075)**

**DISPOSAL OF THE GROUP'S EQUITY INTERESTS  
IN PAYEASE CORP.  
IN CONSIDERATION OF EQUITY INTERESTS  
IN MOZIDO INC.**

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A letter from the board of Capinfo Company Limited\* is set out on pages 8 to 27 of this circular.

26 October 2015

\* *For identification purpose only*

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## DEFINITIONS

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*In this circular, unless the context otherwise requires, the terms below shall have the following meanings when used herein:*

“Acquisition”	(i) the Group’s ownership of the Series C Preferred Stock as part of the Consideration upon Closing which will be convertible, at the option of the holder thereof, at any time into Mozido’s common stock; and (ii) the possible conversion of such Series C Preferred Stock into common stock of Mozido in accordance with the terms thereof
“Amendment Agreement”	the amendment agreement dated 31 December 2014 (United States time) entered into by the parties to the Merger Agreement in relation to the amendments of the Merger Agreement
“Announcement”	the announcement of the Company dated 18 November 2014 in relation to the Merger Agreement
“Board”	the board of Directors
“Capinfo HK”	Capinfo (Hong Kong) Company Limited, a wholly-owned subsidiary of the Company
“Cash Consideration”	a part of the Consideration, being US\$135 million (equivalent to approximately HK\$1,053 million) in the form of cash, subject to certain adjustments in accordance with the Merger Agreement
“Cash Consideration Per Share”	the quotient obtained by dividing (i) the Cash Consideration by (ii) the Fully Diluted Shares, rounded to the nearest cent
“Circular 37”	the Circular Concerning Foreign Exchange Administration for Domestic Residents Conducting Overseas Financing and Round-trip Investments via Special Purpose Companies issued by the SAFE on 14 July 2014 (Huifa [2014] No. 37)
“Circular 698”	the Circular on Strengthening the Administration of Enterprise Income Tax on Income Derived from the Transfer of Equity of Non-tax-resident Enterprises issued by the State Administration of Taxation of the PRC on 10 December 2009 (Guoshuihan [2009] No. 698) and related regulations

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## DEFINITIONS

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“Circular 698 Indemnity Escrow Fund”	an amount in cash equal to 10% of the sum of (i) the aggregate pro rata cash portion of all Enterprise Escrow Participants of the Cash Consideration (before any adjustments to the Consideration which is subject to certain adjustments set out in the Merger Agreement, including based on the application of applicable federal and state securities laws in the United States in relation to the identity of the securityholders), and (ii) the aggregate pro rata stock portion of all Enterprise Escrow Participants of the Stock Consideration (other than the Stock Consideration deposited into the Deferral Escrow Fund); provided that if the Circular 698 Indemnity Escrow Fund exceeds US\$32,500,000 (equivalent to approximately HK\$253.5 million), then the excess shall consist of shares of Mozido’s Series C-1 preferred stock (valued based on US\$12.81 (equivalent to approximately HK\$99.9) per share)
“Closing”	closing of the Merger Agreement
“Closing Date”	being 31 December 2014 (United States time), the date upon which the Closing occurred
“Company”	首都信息發展股份有限公司 (Capinfo Company Limited*), a joint stock limited company established in the PRC, the H share(s) of the Company are listed on the main board of the Stock Exchange
“connected person(s)”	has the same meaning ascribed thereto under the Listing Rules
“Consideration”	the aggregate consideration for the Mergers, being the aggregate of the Cash Consideration, the Series C-1 Stock Consideration and the Series C-2 Stock Consideration
“Convertible Bond”	certain convertible promissory note dated 1 May 2014 issued by PayEase to Acustart Venture Financial Holding Limited in the amount of US\$500,000 as amended
“Deferral Escrow Fund”	the Deferral Escrow Series C-1 Stock Amount and the Deferral Escrow Series C-2 Stock Amount
“Deferral Escrow Series C-1 Stock Amount”	the Series C-1 Stock Consideration for all Enterprise Escrow Participants (other than the Series C-1 Stock Consideration deposited into the General Indemnity Escrow Fund, the Specific Indemnity Escrow Fund or the Circular 698 Indemnity Escrow Fund)

\* For identification purpose only

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## DEFINITIONS

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“Deferral Escrow Series C-2 Stock Amount”	the Series C-2 Stock Consideration for all Enterprise Escrow Participants (other than the Series C-2 Stock Consideration deposited into the General Indemnity Escrow Fund and a portion of the Series C-2 Stock Consideration to be issued to Enterprise Escrow Participants for United States federal income tax reasons)
“Delaware”	one of the states of the United States
“Directors”	the directors of the Company
“Disposal”	the disposal of the Company’s entire investment interest in PayEase pursuant to the Merger Agreement
“Effective Time”	the time of the filling of a certificate of merger in relation to the merger of PayEase and First Sub with the Secretary of the State of Delaware in accordance with the applicable provisions of the laws of the State of Delaware
“Enterprise Escrow Participant”	mean any Escrow Participant that does not establish, on or prior to the 10th business day prior to the Closing Date, its status as an individual for purposes of Circular 698 reporting
“Escrow Participant”	all stockholders and optionholders of PayEase as of immediately prior to the Effective Time
“First Sub”	Payment Acquisition Sub, Inc., a Delaware corporation and a wholly owned subsidiary of Mozido
“Fully Diluted Shares”	the sum of the (i) issued and outstanding shares of PayEase’s common stock; (ii) issued and outstanding shares of PayEase’s preferred stock on an as-converted basis; and (iii) shares of PayEase’s common stock and PayEase’s preferred stock issuable upon the exercise of the outstanding PayEase options, in each case, as of immediately prior to the Effective Time

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## DEFINITIONS

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“General Indemnity Escrow Fund”	an aggregate amount equal to US\$75,000,000 (equivalent to approximately HK\$585 million), which shall comprise of (i) US\$13,500,000 of cash (equivalent to approximately HK\$105.3 million), (ii) 897,736 shares of Mozido’s Series C-1 preferred stock in an amount equal to US\$11,500,000 (equivalent to approximately HK\$89.7 million) (valued based on US\$12.81 (equivalent to approximately HK\$99.9) per share) and (iii) 3,903,200 shares of Mozido’s Series C-2 preferred stock in an amount equal to US\$50,000,000 (equivalent to approximately HK\$390 million) (valued based on US\$12.81 (equivalent to approximately HK\$99.9) per share), provided that the foregoing references to the US\$75,000,000 (equivalent to approximately HK\$585 million) and US\$13,500,000 (equivalent to approximately HK\$105.3 million) shall be reduced by the estimated cash amount of PayEase as determined pursuant to the Merger Agreement
“governmental authority”	any court, administrative agency or commission or other federal, state, county, local or other foreign governmental or regulatory authority, instrumentality, agency or commission
“Group”	the Company and its subsidiaries
“H Shares”	the overseas listed foreign shares having a nominal value of RMB0.10 each in the share capital of the Company, which are listed on the main board of the Stock Exchange
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Latest Practicable Date”	22 October 2015, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger Agreement”	the agreement dated 21 October 2014 (United States time) (as amended by the Amendment Agreement) entered into between PayEase, Mozido, two of its subsidiaries and other parties including the escrow agent, the Payments Administrator and a person representing the holder of securities in PayEase for the purpose of the Merger Agreement

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## DEFINITIONS

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“Merger Consideration Per Share”	the Series C-1 Stock Consideration Per Share plus the Series C-2 Stock Consideration Per Share plus the Cash Consideration Per Share
“Mergers”	the statutory mergers of First Sub with and into PayEase and then PayEase with and into Second Sub under the Merger Agreement in accordance with the applicable laws in the United States
“Mozido”	Mozido, Inc, a Delaware corporation
“Mozido Group”	Mozido and its subsidiaries
“Mozido Indemnified Parties”	Mozido and its officers, directors, and affiliates including Second Sub (after merging with First Sub and PayEase), PayEase’s subsidiaries and other companies controlled by PayEase via contractual arrangements
“Next Round Financing”	the first round of preferred stock financing of Mozido after Closing (other than the issuance of Mozido’s Series B preferred stock and Series C Preferred Stock), whether in one transaction or a series of related transactions, in which Mozido receives gross proceeds of US\$250,000,000 (equivalent to approximately HK\$1,950 million), or more
“Option Consideration”	sum of (i) the Series C-1 Stock Consideration Per Share multiplied by the Option Consideration Multiple; (ii) the Series C-2 Stock Consideration Per Share multiplied by the Option Consideration Multiple; and (iii) the Cash Consideration Per Share multiplied by the Option Consideration Multiple
“Option Consideration Multiple”	being the multiple of (i) the Merger Consideration Per Share multiplied by the number of shares of PayEase’s common stock and/or PayEase’s preferred stock subject to such PayEase options held by such holder as of immediately prior to the Effective Time, less the aggregate exercise price of all such PayEase options, divided by (ii) the Merger Consideration Per Share
“PayEase”	PayEase Corp., a Delaware corporation which was owned as to approximately 13.7% by the Group (taking into account all outstanding shares of common stock and preferred stock of PayEase as at the date of the Announcement and assuming exercise and conversion in full of the outstanding options and the Convertible Bond)
“PayEase Group”	PayEase, its subsidiaries and other companies controlled by PayEase via contractual arrangements

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## DEFINITIONS

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“Payments Administrator”	Acquiom Clearinghouse LLC, a Delaware limited liability company, or an institution selected by Mozido, serving as the payments administrator under the Merger Agreement, other than with respect to the Option Consideration
“PRC”	The People’s Republic of China
“Put Agreement”	the right of first refusal, co-sale and put agreement related to the Series C Preferred Stock and the common stock of Mozido issued upon conversion thereof
“Put Option”	options granted to the securityholders of PayEase under the Put Agreement where a holder of an option have the right to sell Series C-1 preferred stock it receives under the Mergers back to Mozido subject to the terms and conditions under the Put Agreement and the related option agreement
“Qualified Public Offering”	a firm commitment underwritten offering pursuant to the United States Securities Act of 1933 of the common stock of Mozido, provided that the offering price per share is not less than US\$12.84 (equivalent to approximately HK\$100.15) and the aggregate gross offering proceeds to Mozido are not less than US\$200 million (equivalent to approximately HK\$1,560 million)
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC
“Second Sub”	Payment Acquisition Sub, LLC, a Delaware limited liability company and a wholly-owned subsidiary of Mozido
“Securityholder Representative”	Deborah Wang, being a director of PayEase, who is appointed as the representative of PayEase’s shareholders and optionholders
“Series C Preferred Stock”	the Series C-1 preferred stock and the Series C-2 preferred stock of Mozido
“Series C-1 Stock Consideration”	a part of the Consideration, being US\$115 million (equivalent to approximately HK\$897 million) paid by the allotment and issue of approximately 8,977,361 shares of Series C-1 preferred stock of Mozido at an issue price of US\$12.81 (equivalent to approximately HK\$99.9) each
“Series C-1 Stock Consideration Per Share”	the quotient obtained by dividing (i) the Series C-1 Stock Consideration by (ii) the Fully Diluted Shares, rounded to four decimal places



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## DEFINITIONS

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“Series C-2 Stock Consideration”	a part of the Consideration, being US\$500 million (equivalent to approximately HK\$3,900 million) paid by the allotment and issue of approximately 39,032,006 shares of Series C-2 preferred stock of Mozido at an issue price of US\$12.81 each
“Series C-2 Stock Consideration Per Share”	the quotient obtained by dividing (i) the Series C-2 Stock Consideration by (ii) the Fully Diluted Shares, rounded to four decimal places
“Shares”	H Shares and the domestic shares of the Company
“Shareholders”	the shareholders of the Company, including holders of H Shares and holders of the domestic shares of the Company
“Specific Indemnity Escrow Fund”	an aggregate amount equal to US\$20,000,000 (equivalent to approximately HK\$156 million), which shall consist of (i) US\$10,000,000 (equivalent to approximately HK\$78 million) of cash and (ii) 780,640 shares of Mozido’s Series C-1 preferred stock in an amount equal to US\$10,000,000 (equivalent to approximately HK\$78 million) (valued based on US\$12.81 (equivalent to approximately HK\$99.9) per share)
“Stock Consideration”	the Series C-1 Stock Consideration and the Series C-2 Stock Consideration
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder(s)”	has the same meaning ascribed to it under the Listing Rules
“United States”	the United States of America
“US\$”	United States Dollar, the lawful currency of the United States

*This circular contains translation between HK\$ and US\$ at HK\$7.8 = US\$1 and HK\$ and RMB at RMB1 = HK\$1.27 unless stated otherwise. The translation shall not be taken as representation that the HK\$ amount could actually be converted into US\$ or RMB at that rate, or at all.*

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LETTER FROM THE BOARD

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**CAPINFO**  
**CAPINFO COMPANY LIMITED\***  
**首都信息發展股份有限公司**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1075)**

*Executive Director:*

Dr. Wang Xu, *Chairman & CEO*  
Mr. Lu Lei

*Non-executive Directors:*

Mr. Wu Shengjiao  
Mr. Zhou Weihua  
Mr. Shi Hongyin  
Mr. Shan Yuhu  
Ms. An Lili

*Independent Non-executive Directors:*

Dr. Jiao Jie  
Ms. Zhou Liye  
Mr. Cheung Wai Hung, *Boswell*  
Mr. Gong Zhiqiang

*Registered office:*

No.11 Xi San Huan Zhong Road  
Haidian District,  
Beijing 100036  
The PRC

*Principal place of business in Hong Kong:*

Unit B, 1st Floor  
Neich Tower  
128 Gloucester Road  
Wanchai  
Hong Kong

*Principal place of business in the PRC:*

12th Floor  
Quantum Silver Plaza  
No.23 Zhi Chun Road  
Haidian District  
Beijing 100191  
The PRC

26 October 2015

*To the Shareholders*

Dear Sir or Madam,

**DISPOSAL OF THE GROUP'S EQUITY INTERESTS  
IN PAYEASE CORP.  
IN CONSIDERATION OF EQUITY INTERESTS  
IN MOZIDO INC.**

**INTRODUCTION**

Reference is made to the Announcement and the announcements of the Company 8 January 2015, 17 February 2015, 14 April 2015 and 14 May 2015.

\* *For identification purpose only*

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## LETTER FROM THE BOARD

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On 23 October 2014 (Hong Kong time), the Company was informed by PayEase that on 21 October 2014 (United States time) the Merger Agreement was entered into between PayEase, Mozido (as purchaser), two of its subsidiaries, and other parties including the escrow agent, the Payments Administrator and a person representing the holder of securities in PayEase for the purpose of the Merger Agreement, pursuant to which Mozido has conditionally agreed to cause First Sub to merge with and into PayEase and, promptly after, PayEase to merge with and into Second Sub, with Second Sub surviving as a wholly-owned subsidiary of Mozido, for an aggregate consideration of US\$750 million (equivalent to approximately HK\$5,850 million) consisting of cash and shares of Series C-1 and Series C-2 preferred stock of Mozido, subject to certain closing adjustments as described below under the paragraph headed “Adjustments to the Consideration”.

The Company is not a party to the Merger Agreement. The terms of the Merger Agreement have been negotiated and agreed between PayEase and Mozido and are summarised below. The purpose of this circular is to provide the Shareholders with further information on the Disposal and the Acquisition.

### THE MERGER AGREEMENT

Under the Merger Agreement, Mozido shall acquire the entire equity interests in PayEase through the statutory merger of First Sub with and into PayEase, followed by the statutory merger of PayEase with and into Second Sub under applicable laws in the United States.

### Consideration

The aggregate consideration for the Mergers is US\$750 million (equivalent to approximately HK\$5,850 million). Based on the stock price of US\$12.81 (equivalent to approximately HK\$99.9) of each share of the Series C-1 and Series C-2 preferred stock of Mozido as agreed between PayEase and Mozido under the Merger Agreement and subject to the terms and conditions of the Merger Agreement, such consideration is payable by Mozido to all securityholders of PayEase (including holders of shares of PayEase’s common stock, preferred stock, options and the Convertible Bond that complied with the applicable provisions of the Merger Agreement) in proportion to their respective securityholding interests in PayEase consisting of:

- (1) US\$135 million (equivalent to approximately HK\$1,053 million) in the form of cash, less third party expenses, PayEase Group’s debt, amounts set aside for expenses to be incurred by the person representing the securityholders in PayEase for the purposes of the Merger Agreement, and working capital deficit;
- (2) the allotment and issue of approximately 8,977,361 shares of Series C-1 preferred stock of Mozido; and
- (3) the allotment and issue of approximately 39,032,006 shares of Series C-2 preferred stock of Mozido.

Under the Merger Agreement, the amount of Cash Consideration payable by Mozido to the securityholders of PayEase at Closing shall be reduced by the amount of unpaid third party expenses incurred by the PayEase Group (as agreed between PayEase and Mozido pursuant to the Merger Agreement)

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## LETTER FROM THE BOARD

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in connection with the Mergers and be decreased by any indebtedness and increased/decreased to the extent that working capital of the PayEase Group (exclusive of cash and certain other items) is greater than/less than US\$1.5 million (equivalent to approximately HK\$11.7 million) at the Closing Date. As informed by PayEase, after the aforesaid adjustments, the amount of Cash Consideration was reduced by approximately US\$14.56 million and amounted to US\$120.44 million.

The Company was informed that the amount of the aggregate consideration stated above was determined based on the stock price of US\$12.81 for each share of the Series C-1 and Series C-2 preferred stock of Mozido which was agreed between PayEase and Mozido after their negotiations and is unlikely to represent the fair market or intrinsic value of the Series C-1 and Series C-2 preferred stock of Mozido.

Before Closing, subject to the Merger Agreement, the Convertible Bond was converted into common stock of PayEase and all options of PayEase which remained outstanding immediately prior to the Effective Time had been surrendered by the optionholders. Upon surrender of the shares of PayEase (including shares of common stock and preferred stock) and compliance with the provisions of the Merger Agreement, a holder of each share (including common stock and preferred stock) of PayEase shall be entitled to receive (i) the Series C-1 Stock Consideration Per Share; (ii) the Series C-2 Stock Consideration Per Share; and (iii) the Cash Consideration Per Share, whilst a holder of each option of PayEase shall be entitled to receive (i) the Series C-1 Stock Consideration Per Share multiplied by the Option Consideration Multiple; (ii) the Series C-2 Stock Consideration Per Share multiplied by the Option Consideration Multiple; and (iii) the Cash Consideration Per Share multiplied by the Option Consideration Multiple.

The amount of the total consideration to be paid in cash or in Series C Preferred Stock is subject to certain adjustments set out in the Merger Agreement, including based on the application of applicable federal and state securities laws in the United States in relation to the identity of the securityholders.

As mentioned in the Company's announcement dated 8 January 2015, PayEase informed the Company that, subject to any escrow arrangements, the Consideration receivable by the Company, after the aforesaid adjustments, is expected to amount to approximately US\$14.76 million (equivalent to approximately HK\$115.1 million) in form of cash; 1,254,164 shares of Series C-1 preferred stock of Mozido; and 5,452,886 shares of Series C-2 preferred stock of Mozido. As at the Latest Practicable Date, the Company received approximately US\$6.54 million (equivalent to approximately HK\$51.0 million) in cash, and 2,771,484 shares of Series C-2 preferred stock of Mozido (whilst the Company will receive its remaining portion of cash consideration, Series C-1 Stock Consideration and Series C-2 Stock Consideration subject to certain escrow arrangements under the Merger Agreement).

The Company was informed by PayEase that Mozido currently has different classes of stock, including common stock, Series A preferred stock and Series B preferred stock (both series of preferred stock are convertible into common stock). Assuming (i) all preferred stock, options and warrants of Mozido are exercised in full and converted into common stock; and (ii) there is no change in the number of shares of common stock of Mozido as at the date of the Merger Agreement, based on the above illustrative amount of the Consideration receivable by the Company, the Company would own approximately 1.6% of the capital stock of Mozido. In accordance with the Merger Agreement, Mozido may issue new classes or series of common or preferred stock of Mozido.

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## LETTER FROM THE BOARD

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The principal terms of Mozido's Series C-1 preferred stock and Series C-2 preferred stock are set out below:

**Dividend:** The holders of the Series C Preferred Stock will not be entitled to receive dividends on the Series C Preferred Stock unless:

- (i) Mozido does not complete the Next Round Financing by 31 March 2015. In such case, the dividends on the Series C-1 preferred stock will accrue at an annual rate of 5.0%, compounded annually, from such date to the closing of the Next Round Financing and will be payable in the event of liquidation or exercise of the Put Option. No distribution will be made with respect to the common stock until all accrued but unpaid dividends on the Series C Preferred Stock have been paid. The Company was informed by Mozido that the Next Round Financing was not completed by 31 March 2015.
- (ii) Mozido pays dividends on its common stock. In such case, the holders of the Series C Preferred Stock will receive an amount per share equal to the product of (a) the dividends payable on each share of Mozido's common stock and (b) the number of shares of Mozido's common stock issuable upon conversion of a share of the Series C Preferred Stock.

**Conversion rights:** If the Next Round Financing is completed, each share of Series C-1 preferred stock that is not required to be repurchased by Mozido pursuant to an exercise of the Put Option within 30 days of the closing of such Next Round Financing will automatically convert into one share of Series C-2 preferred stock.

Each share of the Series C Preferred Stock will be convertible, at the option of its holder, at any time into one share of Mozido's common stock, subject to adjustment in the event of subdivisions or combinations of the common stock or the Series C Preferred Stock. Each share of Series C Preferred Stock will automatically convert into one share of Mozido's common stock immediately prior to the closing of the Qualified Public Offering.

Upon the conversion of the Series C Preferred Stock into common stock or Series C-2 preferred stock as described above, Mozido shall pay to the holder of such Series C Preferred Stock an amount equal to all dividends declared or accrued but unpaid payable (i) in shares of common stock or Series C-2 preferred stock at the applicable conversion price for the Series C Preferred Stock in effect at the time of the conversion, or (ii) in cash, as determined by the board of directors of Mozido.

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## LETTER FROM THE BOARD

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- Voting rights: The Series C Preferred Stock will vote together with the common stock except with respect to certain protective provisions or as otherwise required by law. Each share of the Series C Preferred Stock will have a number of votes equal to the number of shares of common stock into which it is convertible.
- Put Option: Under the Merger Agreement, the Company was given the Put Option which can be exercised by the Company at its discretion subject to the completion of the Next Round Financing by Mozido and the terms and conditions of the Merger Agreement. For a period of 30 days after holders receive notice of the consummation of the Next Round Financing (the “Put Option Period”), subject to, among others, compliance with or limitations under applicable laws, each holder of Series C-1 preferred stock has the right to require Mozido to purchase shares of Series C-1 preferred stock at a price to be determined based on the Put Agreement depending on, among others, issue price under the Next Round Financing and any accrued but unpaid dividends (such sum, the “Per Share Put Price”) but in any event, if the Company exercises the Put Option, it can then sell a number of shares of Series C-1 preferred stock it then holds back to Mozido at a price to be determined in accordance with the terms of the related Put Agreement based on the stock price of US\$12.81 (equivalent to approximately HK\$99.9) per share and an adjustment to be calculated based on, among other factors, the issue price of the Next Round Financing plus any accrued dividends. However, the Put Option shall not be exercisable if the Next Round Financing is not completed on or prior to the two-year anniversary of Closing and the aggregate amount paid for such shares shall not exceed the value of the Series C-1 preferred stock issued to the Company in the Mergers based on the stock price of US\$12.81. In the event that the Next Round Financing is completed prior to the Closing Date, PayEase, the Securityholder Representative and Mozido shall negotiate in good faith amendments to the Merger Agreement so that the Put Option can be exercised earlier for an amount equal to the value of the Series C-1 preferred stock originally issued to the Company (which value is determined under the Merger Agreement). For the avoidance of doubt, the Company was informed by Mozido that the Next Round Financing was not completed prior to the Closing Date. As at the Latest Practicable Date, the Company has not been informed that the Put Option has become exercisable.

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## LETTER FROM THE BOARD

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To the extent the Put Option is not exercised, the shares of Series C-1 preferred stock held by the Company will automatically convert into the same number of shares of Series C-2 preferred stock. In addition, any shares that are not sold to Mozido because they exceed the aggregate cap on payment described above would also automatically convert into shares of Series C-2 preferred stock.

Under the Put Agreement, if any securityholder of PayEase is a domestic resident as defined in Circular 37 and has not complied with the relevant reporting and/or registration requirements under Circular 37 and other applicable SAFE rules and regulations, Mozido has a right to repurchase all Series C Preferred Stock at a price per share equal to their liquidation preference. The Company will carry out the necessary registration procedures under Circular 37.

As defined in Circular 37, Mainland residents include Mainland institutions and Mainland resident individuals. Mainland institutions shall refer to the enterprises and public institutions qualified as legal persons, as well as other economic organizations duly established within the territory of China, and Mainland resident individuals shall refer to Chinese citizens holding the identity cards for Mainland residents, military identity documents or identity documents for Chinese armed police force, and overseas individuals who do not hold any Mainland legal identity document, but who have habitual residences within the territory of China due to relationship of economic interests.

### Liquidation:

In the event of a liquidation (and in certain other events), the holders of the Series C-1 preferred stock will be entitled to receive, prior and in preference to any distribution to the holders of the common stock and pari passu with the Series A and Series B preferred stock of Mozido an amount per share equal to the higher of (i) US\$115 million (equivalent to approximately HK\$897 million) divided by the number of shares of Series C-1 preferred stock issued under the Merger Agreement (the "Series C-1 Liquidation Preference") and all accrued but unpaid dividends thereon, provided that if a liquidation event occurs after completion of the Next Round Financing but prior to the earlier to occur of (a) conversion of the shares of Series C-1 preferred stock into Series C-2 preferred stock or (b) the valid exercise of the Put Option, the Series C-1 Liquidation Preference for purposes of the liquidation event shall be the amount receivable upon the valid exercise of the Put Option, if it were validly exercised; or (ii) the amount that it is entitled to if the Series C-1 preferred stock is converted into common stock.

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## LETTER FROM THE BOARD

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In a liquidation event, the holders of the Series C-2 preferred stock will be entitled to receive, after payment in full of all distributions to the holders of all series of preferred stock of Mozido with a liquidation preference senior to the Series C-2 preferred stock, but prior to any distribution to the holders of the common stock of Mozido, an amount per share equal to US\$500 million (equivalent to approximately HK\$3,900 million) divided by the number of shares of Series C-2 preferred stock originally issued under the Merger Agreement.

**Transferability:** Transfer of the Series C Preferred Stock is subject to, among others, compliance with the United States Securities Act of 1933 and any applicable state regulations and may be subject to Mozido's consent under certain circumstances.

Transfer of any Series C Preferred Stock will also be subject to pre-emptive right in favour of Mozido and other holders of at least 6,000,000 shares of preferred stock of Mozido.

**Lock-up mechanism:** Each holder shall not sell/transfer/make any short sale of/grant any option for the purchase of/enter into any hedging or similar transaction with the same economic effect as a sale, of any Mozido's common stock or the Series C Preferred Stock during the 180-day period from effective date of the registration statement for Mozido's first firm commitment underwritten public offering of Mozido's common stock filed under the United States Securities Act of 1933 (or such other period as may be requested).

As informed by PayEase, the consideration for the Mergers was arrived at after arm's length negotiations between PayEase and Mozido and was determined with reference to, including but not limited to, historical financial information, business potential/prospects, licenses and clientele of PayEase and Mozido.

### **Escrow Arrangement**

The Consideration that the Company (which is an Enterprise Escrow Participant) entitled to under the Merger Agreement shall be subject to the following escrow arrangements.

Under the Merger Agreement, promptly after the Effective Time, Mozido shall deposit with the escrow agent, among others, the General Indemnity Escrow Fund, the Specific Indemnity Escrow Fund, the Circular 698 Indemnity Escrow Fund and the Deferral Escrow Fund out of the Cash Consideration and the Stock Consideration.

The General Indemnity Escrow Fund shall be available to compensate the Mozido Indemnified Parties for the closing date adjustment amount and shall be partial security for, among others, the indemnity obligations of PayEase. Subject to certain adjustments set out in the Merger Agreement including based on the application of applicable federal and state securities laws in the United States in relation to the identity



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## LETTER FROM THE BOARD

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of the securityholders, Mozido deposited the General Indemnity Escrow Fund based on the pro rata portion of cash, Series C-1 and Series C-2 preferred stock entitled to be received by each Escrow Participant. The Company contributed approximately US\$0.7 million (equivalent to approximately HK\$5.5 million) in cash, 125,429 shares of Series C-1 preferred stock of Mozido and 545,344 shares of Series C-2 preferred stock of Mozido that it is entitled to receive under the Merger Agreement to the General Indemnity Escrow Fund. The General Indemnity Escrow Fund shall be in existence immediately following the Effective Time and terminate on the 12-month anniversary of the Closing Date, subject to any then pending claims. As informed by PayEase, the General Indemnity Escrow Fund will expire on 31 December 2015 and the release of any property remaining in this escrow fund is expected to take place during the first six months of 2016.

The Specific Indemnity Escrow Fund (in addition to the General Indemnity Escrow Fund) shall be partial security for any loss incurred by the Mozido Indemnified Parties in connection with any tax liabilities resulting from certain of PayEase's historical transactions (the "Specific Indemnified Taxes"). The Specific Indemnity Escrow Fund shall terminate on the date that is the earlier of (i) the date that is 10 business days after the date on which PayEase receives a private letter ruling that there are no Specific Indemnified Taxes; (ii) the date that is 30 days after the date on which a final administrative or judicial determination is made in respect of the Specific Indemnified Taxes; and (iii) the date that is 30 days after the expiration of the applicable statute of limitations, taking into account any applicable extension. Subject to certain adjustments set out in the Merger Agreement including based on the application of applicable federal and state securities laws in the United States in relation to the identity of the securityholders, Mozido deposited the Specific Indemnity Escrow Fund based on the pro rata portion of cash and Series C-1 preferred stock entitled to be received by each Escrow Participant. The Company contributed approximately US\$1.2 million (equivalent to approximately HK\$9.4 million) in cash and approximately 109,069 shares of Series C-1 preferred stock of Mozido that it is entitled to receive under the Merger Agreement to the Specific Indemnity Escrow Fund. As informed by PayEase, a claim had been made for the release of the Specific Indemnity Escrow Fund in its entirety based on a favorable private letter ruling that there are no Specific Indemnified Taxes and the Securityholder Representative is awaiting the response from Mozido.

The Circular 698 Indemnity Escrow Fund (in addition to the General Indemnity Escrow Fund) shall be partial security for any loss incurred by the Mozido Indemnified Parties in connection with any tax liabilities resulting from any applicable tax under Circular 698. Subject to certain adjustments set out in the Merger Agreement including based on the application of applicable federal and state securities laws in the United States in relation to the identity of the securityholders, Mozido deposited the Circular 698 Indemnity Escrow Fund based on the pro rata portion of cash, Series C-1 and Series C-2 preferred stock (excluding stocks held in the deferral escrow account) entitled to be received by each Enterprise Escrow Participant. The Company contributed US\$6.22 million of cash (equivalent to approximately HK\$48.5 million) (being the amount equal to approximately 10% of the value of the cash and Mozido's preferred stock (valued at US\$12.81 per share) that it is entitled to receive under the Merger Agreement (excluding stock held in the deferral escrow account described below)) to the Circular 698 Indemnity Fund. The Circular 698 Indemnity Escrow Fund as to the Company shall not terminate except in the event that Mozido is confirmed that it has no liability for any applicable tax under Circular 698 with respect to any payment to the Company under the Merger Agreement. As informed by PayEase, the property placed in the Circular 698 Indemnity Escrow Fund and the property placed in this escrow will only be released once the Circular 698 taxes have been paid.

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## LETTER FROM THE BOARD

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Moreover, under the Merger Agreement, promptly after the Effective Time, Mozido deposited with the escrow agent the Deferral Escrow Fund which shall remain in the escrow and not be disbursed to the Enterprise Escrow Participants until it is confirmed that Mozido has no liability for any applicable tax under Circular 698 with respect to any payment to the Enterprise Escrow Participants but may partly be disbursed, among others, in events that (i) the Put Option is exercised by the Enterprise Escrow Participants; or (ii) there was a positive adjustment to the Consideration for the Mergers. For the avoidance of doubt, the Company was informed by Mozido that there was no positive adjustment to the Consideration for the Mergers. According to PayEase, the Deferral Escrow Fund may partially defer the potential imposition of tax under Circular 698 on the Enterprise Escrow Participants. Except for a portion of the Series C-2 preferred stock to be issued to the Enterprise Escrow Participants for any reasons due to United States federal income tax laws, as determined by PayEase and Mozido, otherwise such stock will be remained in the Deferral Escrow Fund. The Series C Preferred Stock in the Deferral Escrow Fund will not be used to compensate Mozido for the indemnification obligations of PayEase under the Merger Agreement. Subject to certain adjustments set out in the Merger Agreement including based on the application of applicable federal and state securities laws in the United States in relation to the identity of the securityholders, Mozido deposited the Deferral Escrow Fund based on the pro rata portion of Series C-1 and Series C-2 preferred stock entitled to be received by each Enterprise Escrow Participant. 1,019,666 shares of Series C-1 preferred stock of Mozido and 2,136,058 shares of Series C-2 preferred stock of Mozido that the Company is entitled to receive under the Merger Agreement were deposited in the Deferral Escrow Fund. As informed by PayEase, the property contained in the Deferred Escrow Fund will not be released until the Circular 698 taxes have been paid in full and, in accordance with the Merger Agreement, it may partly be disbursed, among others, in events that (i) the Put Option is exercised by the Enterprise Escrow Participants; or (ii) there was a positive adjustment to the Consideration for the Mergers.

With regard to the Series C-1 preferred stock deposited in the aforesaid escrow funds, for the avoidance of doubt, as informed by PayEase, in the event that the Put Options become exercisable, the Company can either (i) elect to exercise the Put Option to receive the cash or (ii) elect not to exercise the Put Option so the Series C-1 preferred stock will automatically convert into the Series C-2 preferred stock and the Company will receive such Series C-2 preferred stock.

### **Conditions precedent**

The respective obligations of various parties to the Merger Agreement to effect the Mergers, (or part of which) or otherwise to consummate and effect the Merger Agreement and the transactions contemplated thereunder shall be subject to the satisfaction or waiver (if applicable), at or prior to the Effective Time, of the conditions as stated in the Merger Agreement which are summarized below:

***A. The respective obligations of PayEase, Mozido, First Sub and Second Sub to effect the Merger Agreement shall be subject to the satisfaction of the following conditions:***

- (1) The merger of PayEase and First Sub is not restrained or prohibited by any statute, rule, regulation, executive order, decree, injunction or other order (whether temporary, preliminary or permanent);

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## LETTER FROM THE BOARD

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- (2) PayEase has obtained approval from sufficient PayEase's shareholders in accordance with applicable laws of the State of Delaware and its certificate of incorporation to adopt the Merger Agreement and approve the merger of PayEase and First Sub (which shall be the majority of the outstanding shares of PayEase's preferred stock (voting together as a single class), majority of the outstanding shares of PayEase's Series D preferred stock, Series E preferred stock and Series F preferred stock (voting together as a single class), and majority of the outstanding shares of PayEase's common stock and preferred stock (voting together as a single class)); and
- (3) Mozido has obtained approval from sufficient Mozido's shareholders in accordance with applicable laws of the State of Delaware to authorise, adopt and approve the Mergers and the amendment to or amendment and restatement of the certificate of incorporation of Mozido.

***B. The obligations of Mozido, First Sub and Second Sub to effect the Merger Agreement shall be subject to the satisfaction of the following conditions (any of which can be waived by Mozido, First Sub and Second Sub):***

- (1) The representations and warranties of PayEase in the Merger Agreement (disregarding, for this purpose, all exceptions in those representations and warranties relating to materiality, material adverse effect or any similar standard or qualification) shall be true and correct on and as of the date of the Merger Agreement and as of the Effective Time, except where a failure to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the PayEase Group;
- (2) PayEase shall have performed and complied in all material respects with all covenants and obligations under the Merger Agreement required to be performed by PayEase as of the Closing;
- (3) Necessary approvals and consents from, among others, governmental authorities, PayEase's board of directors and any parties as stated in the Merger Agreement are being obtained;
- (4) PayEase delivered payoff letters with respect to any and all amounts outstanding under (i) a certain outstanding bank loan and a certain promissory note of the PayEase Group; and (ii) the Convertible Bond issued by PayEase to the extent that any such amounts are not converted into PayEase's common stock and preferred stock;
- (5) There is no material adverse event or condition in respect of the PayEase Group since the date of the Merger Agreement;
- (6) The receipt by Mozido of various documents required under the Merger Agreement, such as a written resignation from each of the officers and directors of PayEase effective as of the Effective Time; a certificate of good standing of PayEase; a certificate confirming certain tax issues; employment letters/agreements and/or consulting agreements/non-competition agreements signed by certain key employees of PayEase; duly and validly executed copy of all agreements and other documents in respect of certain required internal reorganisation of the

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## LETTER FROM THE BOARD

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PayEase Group; termination of certain agreements to which the PayEase Group is a party; and other closing documents/materials such as books and records, company chops of the PayEase Group, etc;

- (7) The holders of no greater than 2% of the outstanding PayEase's common stock and preferred stock shall have exercised the right to appraisal, dissenters' or similar rights under applicable law;
- (8) Mozido shall have reasonably determined that all of the Stock Consideration may be issued pursuant to available federal and state securities law exemptions in the United States;
- (9) There is no action, suit, claim, order, injunction or proceeding of any nature pending, or overtly threatened, against Mozido, First Sub, Second Sub or PayEase, their respective properties or any of their respective officers or directors arising out of, or in any way connected with, the merger of PayEase and First Sub or the other transactions contemplated by the terms of the Merger Agreement; and
- (10) The Company shall have obtained all necessary consents from any governmental authority/ other person in order to vote for/provide written consent with respect to, and consummate the transactions contemplated under the Merger Agreement provided certain documents to Mozido including, among others, the board and shareholder resolutions of each of the Company and Capinfo HK approving the Merger Agreement and the transactions contemplated thereunder and approvals of Beijing State-owned Assets Management Co., Ltd., State-owned Assets Supervision and Administration Commission of Beijing Municipality and Beijing Municipal Commission of Development and Reform with respect of the Disposal and the Acquisition pursuant to the Merger Agreement and entered into an agreement with Mozido pursuant to which the Company and/or Capinfo HK agrees to execute/deliver/file certain documents with governmental authorities from and after Closing in respect of the transactions contemplated under the Merger Agreement. In addition, Capinfo HK shall have voted for, or provided written consent with respect to, all of the PayEase' shares owned by Capinfo HK in favour of the adoption and approval of the merger of PayEase and First Sub and adoption of the Merger Agreement.

***C. Obligations of PayEase to effect the Merger Agreement shall be subject to the satisfaction of the following conditions (any of which may be waived, by PayEase):***

- (1) The representations and warranties of Mozido, First Sub and Second Sub in the Merger Agreement (disregarding, for this purpose, all exceptions in those representations and warranties relating to materiality, material adverse effect or any similar standard or qualification) shall be true and correct on and as of the date of the Merger Agreement and as of the Effective Time except where a failure to be so true and correct would not reasonably be expected to have, individually or in the aggregate, a material adverse effect on the Mozido Group;

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## LETTER FROM THE BOARD

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- (2) Mozido, First Sub and Second Sub shall have performed and complied in all material respects with all covenants and obligations under the Merger Agreement required to be performed by them as of the Closing;
- (3) There is no material adverse event or condition in respect of Mozido since the date of the Merger Agreement;
- (4) Receipt of certain closing certificates by PayEase from Mozido, including a solvency certificate;
- (5) Series C-1 preferred stock of Mozido will have the rights, preferences, privileges and restrictions as set out in the Merger Agreement;
- (6) Mozido shall have irrevocably confirmed in writing to the Securityholder Representative that it has sufficient cash on hand to pay the Cash Consideration and the amendment and restatement of the certificate of incorporation of Mozido shall have been filed with the secretary of the State of Delaware and have become effective; and
- (7) Mozido has not notified PayEase that Mozido may take a certain tax reporting position in respect of a certain United States tax issue.

As set out in the Company's announcement dated 8 January 2015, on 3 January 2015 (Hong Kong time), the Company received from PayEase the Amendment Agreement and was informed that the Merger Agreement was amended in accordance with the Amendment Agreement, pursuant to which on 31 December 2014 (United States time) all parties to the Merger Agreement agreed to, among other things, waive some of the conditions precedent of the Merger Agreement including, among others, the condition (10) mentioned in the section headed "B. The obligations of Mozido, First Sub and Second Sub to effect the Merger Agreement shall be subject to the satisfaction of the following conditions (any of which can be waived by Mozido, First Sub and Second Sub)".

### **Closing**

On 6 January 2015 (Hong Kong time), the Company received from PayEase a signed copy of the Amendment Agreement and the lawyer to PayEase confirmed that Closing took place shortly after execution of the Amendment Agreement. The Company further received from PayEase supporting documents evidencing that First Sub was merged with and into PayEase on 31 December 2014 and then PayEase was merged with and into Second Sub on 2 January 2015.

On 8 January 2015 (Hong Kong time), the Company received from PayEase, among others, (i) the letter of transmittal in relation to the surrender of the shares of PayEase and appointment of the Securityholder Representative; (ii) the Put Agreement; and (iii) tax forms. The Company understood from PayEase that the Company would be entitled to receive its portion of the Consideration until it signed and returned certain documents set out in the Letter of Transmittal, including but not limited to the Letter of Transmittal and the Put Agreement. On 28 April 2015, the Group signed and submitted to the Payment Administrator the documents as required in order to receive its portion of the Consideration.

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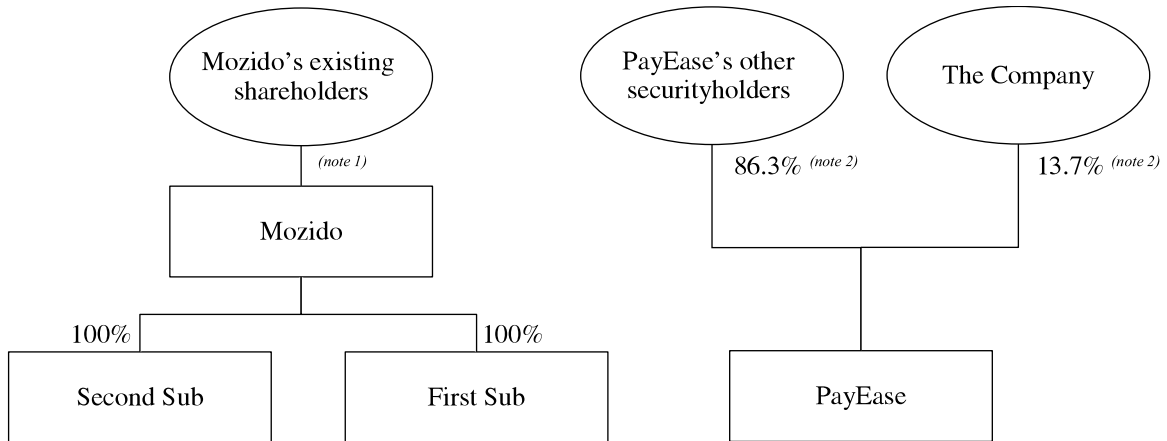
## LETTER FROM THE BOARD

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Upon Closing, the Group ceased to hold any direct interest in PayEase. First Sub merged with and into PayEase, and PayEase merged with and into Second Sub.

The diagrams below illustrate the shareholding in Mozido and PayEase before and after the Mergers:

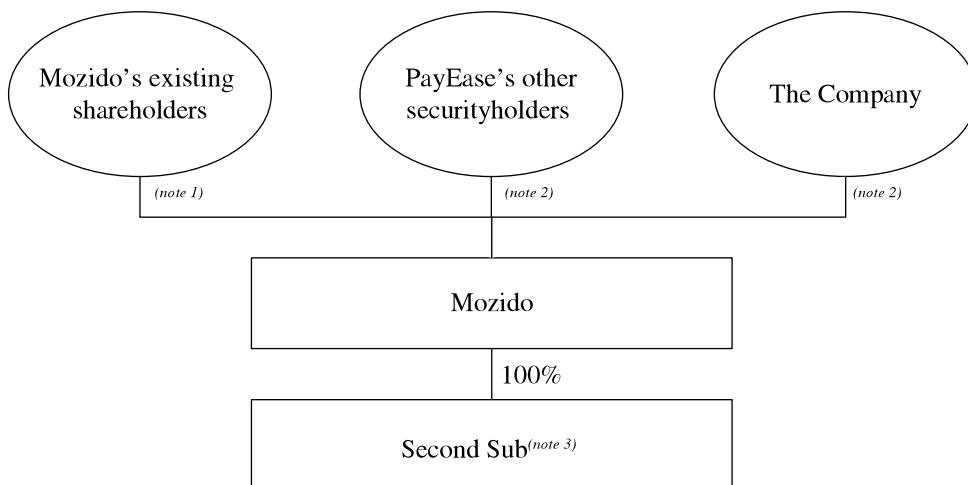
***Before Closing:***



*Notes*

- <sup>1</sup> such interests comprise common stock, Series A preferred stock and Series B preferred stock of Mozido, and any other classes or series of common or preferred stock of Mozido issued in accordance with the Merger Agreement.
- <sup>2</sup> assuming exercise and conversion in full of all outstanding options of PayEase and the Convertible Bond.

***Upon Closing (subject to the various escrow arrangements):***



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## LETTER FROM THE BOARD

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### *Notes*

- <sup>1</sup> such interests comprise common stock, Series A preferred stock and Series B preferred stock of Mozido, and any other classes or series of common or preferred stock of Mozido issued in accordance with the Merger Agreement.
- <sup>2</sup> such interests in Mozido comprise the Series C Preferred Stock convertible into Mozido's common stock. Assuming (i) all preferred stock, options and warrants of Mozido are exercised in full and converted into common stock; and (ii) there is no change in the number of shares of common stock of Mozido as at the date of the Merger Agreement, based on the illustrative amount of the Consideration receivable by the Company (namely 1,254,164 shares of Series C-1 preferred stock of Mozido and 5,452,886 shares of Series C-2 preferred stock of Mozido) which is subject to any escrow arrangements, the Company would own approximately 1.6% of the capital stock of Mozido.
- <sup>3</sup> the surviving entity after the merger of First Sub with and into PayEase followed by the merger of PayEase with and into Second Sub.

This circular sets out a summary of the key terms of the Merger Agreement and the Put Agreement and the shareholders of the Company are encouraged to review the Merger Agreement and the Put Agreement in their entirety. A copy of the Merger Agreement and the Put Agreement will be made available for the Shareholders' inspection, and the related arrangement is set out in the appendix to this circular.

### **INFORMATION ON PAYEASE**

PayEase is a company incorporated in the United States principally engaged in the provision of electronic payment services includes payment via mobile phone and internet in the PRC.

As at the date of the Announcement, PayEase was owned as to approximately 13.7% by the Company (taking into account all outstanding shares of common stock and preferred stock of PayEase as at the date of the Announcement and assuming exercise and conversion in full of the outstanding options and the Convertible Bond). To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save for a senior consultant of the Company, who is a board member of PayEase and owned 800,000 shares of common stock of PayEase, representing approximately 0.2% of the then equity interests of PayEase, the remaining 86.1% shareholders of PayEase and their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company. Such senior consultant is not a connected person of the Company for the purposes of the Listing Rules.

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## LETTER FROM THE BOARD

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Set out below is the unaudited financial information of PayEase prepared in accordance with the generally accepted accounting principles in the PRC for the two years ended 31 December 2012 and 2013 and the six months ended 30 June 2014:

	<b>For the year ended</b>		<b>For the year ended</b>		<b>For the six months ended</b>	
	<b>31 December 2012</b>		<b>31 December 2013</b>		<b>30 June 2014</b>	
	<i>Approximately</i>	<i>Equivalent to</i>	<i>Approximately</i>	<i>Equivalent to</i>	<i>Approximately</i>	<i>Equivalent to</i>
	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>	<i>RMB'000</i>	<i>HK\$'000</i>
Net profit before taxation	<u>5,786</u>	<u>7,348</u>	<u>5,993</u>	<u>7,611</u>	<u>11,585</u>	<u>14,713</u>
Net profit after taxation	<u>3,834</u>	<u>4,869</u>	<u>3,321</u>	<u>4,218</u>	<u>9,453</u>	<u>12,005</u>

The unaudited net assets value of PayEase as at 30 June 2014 was approximately RMB63.2 million (equivalent to approximately HK\$80.3 million).

There was zero carrying value in respect of the Group's equity interests in PayEase in the Group's financial statements as at 31 December 2014 and as at 30 June 2014.

### INFORMATION ON MOZIDO

Mozido is a company incorporated in the United States principally engaged in provision of an integrated platform of cloud-based and white-label mobile payment, shopping and marketing solutions for retail, financial service, consumer packaged goods and telecom companies.

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

There are no consolidated financial statements prepared before the six months ended 30 June 2014. Set out below is the unaudited consolidated financial information of the Mozido Group for the six months ended 30 June 2014:

	<b>For the six months ended</b>	
	<b>30 June 2014</b>	
	<i>Approximately</i>	<i>Equivalent to</i>
	<i>US\$'000</i>	<i>HK\$'000</i>
Comprehensive net loss before taxation	<u>(10,678)</u>	<u>(83,288)</u>
Comprehensive net loss after taxation	<u>(10,678)</u>	<u>(83,288)</u>



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The unaudited consolidated net assets of the Mozido Group as at 30 June 2014 were approximately US\$60.4 million (equivalent to approximately HK\$471.1 million). Of this amount, US\$27.3 million represents an intercompany balance due from Mozido, LLC. Mozido Group did not have any taxation charge during the six months ended 30 June 2014.

As set out in the audited financial statements of Mozido, LLC for the year ended 31 December 2013, on 27 November 2013, Mozido, LLC has undertaken a corporate reorganisation by entering into an asset contribution agreement (the “ACA”) with Mozido which was incorporated on 5 November 2013. Mozido, LLC then transferred all its assets, except certain licenses and certain working capital liabilities to Mozido under the ACA in exchange for US\$15 million (equivalent to approximately HK\$117 million) and all outstanding common stock of Mozido. Following this exchange, Mozido became a wholly-owned subsidiary of Mozido, LLC. Mozido took over all previous business operation of Mozido, LLC.

Set out below is the audited consolidated financial information of Mozido, LLC prepared in accordance with the generally accepted accounting principles in the United States of America for the two years ended 31 December 2012 and 2013:

	<b>For the year ended 31 December 2012</b>		<b>For the year ended 31 December 2013</b>	
	<i>Approximately US\$'000</i>	<i>Equivalent to approximately HK\$'000</i>	<i>Approximately US\$'000</i>	<i>Equivalent to approximately HK\$'000</i>
Comprehensive net loss before taxation	<u>(34,741)</u>	<u>(270,979)</u>	<u>(45,166)</u>	<u>(352,294)</u>
Comprehensive net loss after taxation	<u>(34,741)</u>	<u>(270,979)</u>	<u>(45,166)</u>	<u>(352,294)</u>

For the year ended 31 December 2013, Mozido, LLC (company level) recorded an interest expense of approximately US\$2.9 million (equivalent to approximately HK\$22.6 million) but the liabilities of Mozido, LLC have not been transferred to Mozido under the reorganisation in 2013. Mozido, LLC did not have any taxation charge during the two years ended 31 December 2012 and 2013.

The Group was only a passive investor in PayEase and it did not participate in the operation and management of PayEase or in the negotiation of the terms of the Merger Agreement. The Series C Shares that the Group is entitled to as a result of the Disposal represent only a very small percentage of the diluted equity interest in Mozido. As set out above, the Group is entitled to own approximately 1.6% of the capital stock of Mozido.

Mozido is a private company. The Merger Agreement is a private commercial transaction between Mozido and PayEase, and the Group is not a party to the Merger Agreement. Similar to the other securityholders of PayEase, the Group’s access to Mozido’s financial information is limited to any information provided by Mozido to PayEase. The Group has been provided with, among other information, the audited financial statements of Mozido, LLC for the two years ended 31 December 2012 and 2013 and

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## LETTER FROM THE BOARD

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the unaudited financial statement of Mozido for the six months ended 30 June 2014, which have been prepared in accordance with generally accepted accounting principles in the United States of America (the “Disclosed Financials”).

However, Mozido has indicated to PayEase that it is not prepared to consent to the disclosure of further financial information in respect of Mozido Group or Mozido, LLC in this circular, save for the information which has already been disclosed in the Announcement (namely the Disclosed Financials). The Company is not able to prepare an accountants’ report on Mozido Group without the assistance or cooperation of Mozido and has no right to disclose financial information on Mozido Group provided by Mozido in this circular without its consent.

### **OTHER PARTIES TO THE MERGER AGREEMENT**

The other parties to the Merger Agreement include (1) First Sub and Second Sub which are wholly-owned subsidiaries of Mozido; (2) the escrow agent for the purposes of the various escrow arrangements under the Merger Agreement as described above in this circular; (3) the Payments Administrator which will be responsible for the distribution of the consideration payable under the Merger Agreement; and (4) the Securityholder Representative.

To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, First Sub, Second Sub, the escrow agent, the Payments Administrator and the Securityholder Representative, and if they are corporate entities, their respective ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

### **REASONS FOR THE MERGER AGREEMENT**

The Group is principally engaged in the provision of information technologies and services supply including system integration, software development, IT planning and consultancy, IT operation and maintenance, etc.

Reference is made to the announcement of the Company dated 5 January 2006. On 30 December 2005, the Company entered into the assets transfer agreement (the “Assets Transfer Agreement”) with PayEase and PayEase (Beijing) Technology Ltd (“PayEase PRC”, a wholly-owned subsidiary of PayEase) pursuant to which the Company agreed to sell its online payment assets to PayEase and PayEase PRC for a cash consideration of US\$2.5 million (equivalent to approximately HK\$19.5 million). Moreover, pursuant to the terms of the Assets Transfer Agreement, the Company entered into an exclusive technical services agreement with PayEase on the same day pursuant to which PayEase PRC is entitled to an exclusive right to provide certain technical services to the Company in regard to the continuous provision of all services to be provided by the Company to its customers. In order to secure such cooperation relationship with the Company, PayEase and PayEase PRC entered into an equity participation agreement with the Company and Capinfo HK pursuant to which PayEase issued new shares to Capinfo HK for nil consideration which represented 25% of PayEase’s then equity capital. The Group’s equity interests in PayEase were subsequently diluted to approximately 13.7% as at the date of the Announcement (taking into account all outstanding shares of common stock and preferred stock of PayEase as at the date of the Announcement and assuming exercise and conversion in full of the outstanding options and the Convertible Bond) as a result of new shares issued by PayEase subsequent to the equity participation agreement.

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The investment in PayEase is obtained at no cost to the Company. The Company has not received any dividend/distribution from PayEase. Upon Closing, the Group ceased to hold any direct interest in PayEase. First Sub merged with and into PayEase, and then PayEase merged with and into Second Sub. The Company is entitled to receive a part of the Cash Consideration and continue to own an indirect interest in the business of PayEase through ownership of a portion of the Stock Consideration.

The Company understands from PayEase that following the Mergers, the Mozido Group aims to become a global company that is capable of providing front to back end payment solutions to merchants across the world. The board of directors of PayEase considers that the Mergers provide a stronger and enlarged platform to allow the combined entity to pursue new businesses jointly as well as for PayEase to expand the geographical coverage for its payment service business which enhances the return of PayEase's shareholders.

The investment in PayEase is accounted for as an available-for-sale investment in the Group's financial statements which has been measured at historical cost less impairment and had zero carrying value as at 31 December 2014.

Upon completion of the disposal of its equity interests in PayEase, the consideration the Group has received up to the Latest Practicable Date comprises approximately US\$6.54 million (equivalent to approximately HK\$51.0 million) in cash and 2,771,484 shares of Series C-2 preferred stock of Mozido.

As set out in the notes to the condensed consolidated financial statements set out in the interim report of the Company for the six months ended 30 June 2015 (the "IR2015"), the Group recognised gain on the Disposal amounting to RMB45,402,000. The gain comprised of cash received of RMB39,981,000 (which is equivalent to the aforesaid US\$6.54 million) and 2,771,884 shares of Series C-2 preferred stocks of Mozido valued at RMB5,421,000 by an independent valuer.

As the Group is not a party to the Merger Agreement, in the opinion of the management of the Company, the stock price of US\$12.81 does not represent the fair value of the Series C-1 and Series C-2 preferred stocks of Mozido and therefore the fair value of the Series C-1 and Series C-2 preferred stocks of Mozido has been determined by reference to the valuation of a professional valuer on a combination of market approach and option pricing model as at 31 December 2014. In this regard, each share of the Series C-1 preferred stocks (including the embedded Put Option) and Series C-2 preferred stocks of Mozido is valued at US\$6.69 and US\$0.32 respectively. As mentioned in the Company's announcement dated 8 January 2015, the Company is expected to receive, subject to escrow arrangements, US\$14.76 million in form of cash, 1,254,164 shares of Series C-1 preferred stock of Mozido and 5,452,886 shares of Series C-2 preferred stock of Mozido. Based on the aforesaid valuation, the total value of the Company's attributable interest in the Series C-1 and Series C-2 preferred stocks of Mozido is approximately US\$10.14 million.

For the six months ended 30 June 2015, the Group did not recognise the remaining cash portion and Series C-1 preferred stocks and Series C-2 preferred stocks of Mozido withhold under escrow agent as the ultimate realisation of the amount of cash portion and number of Series C-1 preferred stocks and Series C-2 preferred stocks of Mozido is subject to escrow arrangements and Closing adjustments and unable to ascertain and the economic inflow is uncertain as at the date of the IR2015.

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## LETTER FROM THE BOARD

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The Group intends to use the net sale proceeds received pursuant to the Merger Agreement for general working capital of the Group.

As mentioned above, the Company is not a party to the Merger Agreement. In forming the view that the terms of the Merger Agreement are fair and reasonable and the Merger Agreement is in the interests of the Company and the Shareholders as a whole, the Directors have considered major factors including, among other things, (i) PayEase's principal business operation, its previous fund raising and valuation; (ii) Mozido's principal business, its geographical coverage, its previous fund raising through and its implied valuation at the time of issuance of the Series B preferred stock based on the cash issue price of the relevant stock; (iii) the expected synergy between Mozido and PayEase and business prospect of Mozido after Closing as explained by PayEase; (iv) the expected return on the Disposal; (v) risks associated with holding shares in Mozido; and (vi) other regulatory compliance issues including the applicable requirements under the Listing Rules and other PRC legal requirements, as well as any alternative available to the Company if it does not decide to approve the Disposal and the Acquisition.

After considering the aforesaid factors, the Directors consider that the terms of the Merger Agreement are fair and reasonable and the Merger Agreement is in the interests of the Company and the Shareholders as a whole in particular given that:

- the investment in PayEase was obtained at no cost to the Company and the Company has not received any dividend/distribution from PayEase;
- before taking into account of the Series C-1 preferred stock and Series C-2 preferred stock of Mozido, the Cash Consideration (alone being US\$135 million) for the Mergers is already higher than the valuation of PayEase of approximately RMB740 million (equivalent to approximately US\$120.5 million) as at 30 June 2014 prepared by an independent valuer appointed by the Company;
- the consideration for the Mergers is payable by Mozido to all securityholders of PayEase in proportion to their securityholding interests in PayEase notwithstanding that the amount of the consideration to be paid in cash or in Series C Preferred Stock is subject to certain adjustments set out in the Merger Agreement, including based on the application of applicable federal and state securities laws in the United States in relation to the identity of the securityholders; and
- the Company understands from PayEase that following the Mergers, Mozido Group aims to become a global company that is capable of providing front to back end payment solutions to merchants across the world. PayEase believed that the Mergers provide a strong and enlarged

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## LETTER FROM THE BOARD

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platform to allow the combined entity to pursue new businesses jointly as well as for PayEase to expand the geographical coverage for its payment service business which enhances the return of PayEase's shareholders (through their interests in Mozido after the Mergers).

Yours faithfully,  
By Order of the Board  
**CAPINFO COMPANY LIMITED\***  
**首都信息發展股份有限公司**  
**Dr. Wang Xu**  
*Chairman and CEO*

\* *For identification purpose only*

## 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. DISCLOSURE OF INTERESTS

### (a) Interests of Directors, supervisors and chief executive of the Company

As at the Latest Practicable Date, none of the Directors or supervisors or chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which 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 or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.

### (b) Substantial shareholders of the Company

Save as disclosed below, the Directors are not aware of any other interests and short positions in Shares and underlying Shares of any person (other than a Director or chief executive of the Company) as recorded in the register required to be kept under section 336 of the SFO as at Latest Practicable Date:

Name	Number of Shares	Nature of interests	Appropriate percentage of shareholding
Beijing State-owned Assets Management Co., Ltd (“BSAM”)	1,834,541,756 domestic shares	Beneficial owner	63.31%

As at the Latest Practicable Date, Mr. Wu Shengjiao, a Director, is an employee of BSAM, the controlling Shareholder whose interest in Shares has been disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### 3. SERVICE CONTRACTS

The Company has entered into service contracts with each of the members of the six sessions of the Board.

The terms and conditions of the employment/appointment are summarised below:

Name of Director	Date of service contract/letter of appointment	Term	Prevailing Directors' annual remuneration (RMB)	Termination notice period or payment in lieu of notice (Note 1)
<i>Executive Director</i>				
Dr. Wang Xu	19 June 2015	19 June 2015 to 19 June 2018	Nil (Note 2)	N/A
Mr. Lu Lei	19 June 2015	19 June 2015 to 19 June 2018	Nil (Note 3)	N/A
<i>Non-executive Directors</i>				
Mr. Wu Shengjiao	19 June 2015	19 June 2015 to 19 June 2018	Nil (Note 4)	N/A
Mr. Zhou Weihua	19 June 2015	19 June 2015 to 19 June 2018	Nil (Note 4)	N/A
Mr. Shi Hongyin	19 June 2015	19 June 2015 to 19 June 2018	Nil (Note 4)	N/A
Mr. Shan Yuhu	19 June 2015	19 June 2015 to 19 June 2018	Nil (Note 4)	N/A
Ms. Au Lili	19 June 2015	19 June 2015 to 19 June 2018	Nil (Note 4)	N/A
<i>Independent non-executive Directors</i>				
Ms. Zhou Liye	19 June 2015	19 June 2015 to 19 June 2018	65,000	N/A
Dr. Jiao Jie	19 June 2015	19 June 2015 to 19 June 2018	60,000	N/A
Mr. Cheung Wai Hung Boswell	19 June 2015	19 June 2015 to 19 June 2018	60,000	N/A
Mr. Gong Zhiqiang	19 June 2015	19 June 2015 to 19 June 2018	70,000	N/A

*Notes:*

- All Directors have the rights to resign from the Company during their respective period of employment and the resignation shall be effective as the resignation letter arrived the Board. In addition, the Company have the right to terminate the duties of any Directors by obtaining approval from Shareholder's meetings.

2. Dr. Wang Xu does not receive any remuneration as Director. However, Dr. Wang Xu receives salary as the chief executive of the Company.
3. Mr. Lu Lei does not receive any remuneration as Director. However, Mr. Lu Lei receives salary as the secretary of the Board.
4. Mr. Wu Shengjiao, Mr. Zhou Weihua, Mr. Shi Hongyin, Mr. Shan Yuhu and Ms. An Lili do not receive any remuneration as Director.

Save as disclosed above, none of the Directors has a service contract with the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation as at the Latest Practicable Date.

#### **4. DIRECTORS' AND SUPERVISORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors, the Supervisors or their respective close associates had any interests in any business which competed or might compete with the business of the Group.

#### **5. MATERIAL INTERESTS**

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in the assets which had been, since 31 December 2014, being the date to which the latest published audited consolidated accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2014, being the date to which the latest audited consolidated accounts of the Group have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2014, being the date to which the latest audited consolidated accounts of the Group have been made up).

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 31 December 2014, being the date to which the latest audited consolidated accounts of the Group have been made up).

#### **6. MATERIAL ADVERSE CHANGE**

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up.



## 7. LITIGATION

As at the Latest Practicable Date, the Group was not involved in any material litigation or arbitration. To the best knowledge of the Directors, the Group had no material litigation or claim which was pending or threatened by or against the Group.

## 8. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or any of its subsidiaries within the two years immediately preceding the date of this circular and are or may be material:

- (i) the share transfer agreement dated 21 July 2014 entered into between the Company, 廈門銳泰隆投資發展有限公司 (Xianmen Ruitailong Investment Development Company Limited\*) (“Xianmen Ruitailong”), 25 employees of 廈門融通信息技術有限責任公司 (Xiamen Ritoinfo Technology Company Limited\*, the “Target Company”) together with Xianmen Ruitailong, the “Vendors”) and Fu Minghong pursuant to which, the Group has conditionally agreed to acquire for, and the Vendors have conditionally agreed to dispose of the entire equity interest of the Target Company at the consideration of RMB305 million to be settled by way of cash; and
- (ii) the conditional undertaking dated 21 March 2014 provided to Beijing Certificate Authority Co., Ltd. (“BJCA”) in relation to the proposed disposal of existing shares of BJCA in support of the proposed listing (the “Proposed Listing”) of the shares of BJCA on the ChiNext of Shenzhen Stock Exchange.

Under the Proposed Listing, BJCA intended to offer not more than 20,000,000 existing shares of BJCA to the public. Pursuant to relevant requirements regarding the public offering of existing shares under the 《首次公開發行股票時公司股東公開發售股份暫行規定》 (Interim Regulations on the Public Sale of Shares by Shareholders in the Initial Public Offering) (the “Interim Regulations”) made by 中國證券監督管理委員會 (China Securities Regulatory Commission) (“CSRC”), the Company and 北京市國有資產經營有限責任公司 (Beijing State-Owned Assets Management Corporation Limited\*) (“BSAM”), a company established in the PRC and is wholly-owned by the Beijing Municipal Government, being the controlling shareholder of the Company, are required to sell part of their shareholding interests in existing shares of BJCA to the public at the Proposed Listing under certain conditions. Pursuant to the conditional undertaking, the Company and BSAM will sell at the Proposed Listing in aggregate not more than 12,000,000 existing shares of BJCA in the proportion of 1:1 under certain conditions.

As detailed in the Company’s announcement dated 17 February 2015, according to the latest revisions to the Interim Regulations made by CSRC and recent initial public offering cases, CSRC no longer requires the existing shareholders of a listing applicant to sell their shares at the listing. The sponsor of BJCA further confirmed that the existing shareholders of BJCA are not required to sell any of their existing shares of BJCA at the Proposed Listing. In addition, according to stock market information, the price earnings ratios of the companies that

successfully completed their initial public offerings and listed on ChiNext between June 2014 and January 2015 were lower than the industry average. As such, the Board was of the view that the proposed disposal of existing shares of BJCA would not be the best time to realize the equity investment. Based on the Board's understanding of the business of BJCA and the analysis of the development of the information security industry, the Board believed that the stock price of BJCA following the Proposed Listing would have more room for growth. In this circumstances, on 17 February 2015, the Company served a written notice to BJCA withdrawing the conditional undertaking.

**9. GENERAL**

- (a) The registered office of the Company is located at No. 11 Xi San Huan Zhong Road, Beijing 100036, the PRC.
- (b) The principal place of business of the Company in Hong Kong is located at Unit B, 1st Floor, Neich Tower, 128 Gloucester Road, Wanchai, Hong Kong.
- (c) The principal place of business of the Company in the PRC is located at 12th Floor, Quantum Silver Plaza, No. 23 Zhi Chun Road, Haidian District, Beijing 100191, the PRC.
- (d) The secretary of the Company is Ms. Koo Ching Fan, who is an associate member of each of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators, U.K. and a fellow member of the Association of Chartered Certified Accountants.
- (e) The H share registrar and transfer office of the Company in Hong Kong is Hong Kong Registrars Limited located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (f) The English text of this circular shall prevail over the Chinese text in the event of inconsistency.

**10. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company in Hong Kong during normal business hours on any business day from the date of this circular up to and including 10 November 2015:

- (a) the Merger Agreement;
- (b) the Amendment Agreement;
- (c) the documents submitted to the Payment Administrator in order to receive the Consideration;
- (d) the articles of association of the Company;
- (e) the annual reports of the Company for the financial years ended 31 December 2013 and 2014;
- (f) the interim report of the Company for the six months ended 30 June 2015;
- (g) the material contracts disclosed in the sub-section headed “Material contracts” in this Appendix to this circular; and
- (h) this circular.