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LEAP Holdings Group Limited

前進控股集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1499)

DISCLOSEABLE TRANSACTION IN RELATION TO THE PROPOSED JOINT VENTURE FORMATION AND THE CO-OPERATION AGREEMENT

THE AGREEMENTS

The Company is pleased to announce that, on 6 September 2019 (after trading hours), the Group has entered into the Investment Agreement in respect of the proposed formation of the Joint Venture with the JV Partners; and the Co-operation Agreement in respect of (1) CASIA License; and (2) the development of the New IP Rights with CASIA.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the maximum capital commitment of the Group pursuant to the Investment Agreement and the consideration of the Co-operation Agreement are more than 5% but are less than 25%, the entering into of the Investment Agreement and the Co-operation Agreement (in aggregate) constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that (1) Shenzhen QNYN, an indirect wholly-owned subsidiary of the Company, and the JV Partners entered into the Investment Agreement in respect of the proposed formation of the Joint Venture; and (2) Leap Global, a direct wholly-owned subsidiary of the Company, and CASIA entered into the Co-operation Agreement in respect of (a) the CASIA License; and (b) the development of the New IP Rights.

Principal terms of the Investment Agreement and the Co-operation Agreement are set forth below:

(1) INVESTMENT AGREEMENT

Date: 6 September 2019 (after trading hours)

Parties: (a) Shenzhen QNYN; and
(b) the JV Partners.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, each of the JV Partners (including their ultimate beneficial owners) are Independent Third Parties.

Purpose of the Joint Venture

Pursuant to the Investment Agreement, Shenzhen QNYN and the JV Partners agreed to establish the Joint Venture in the PRC for the purpose of engagement in the business of big data analysis and user behaviour pattern analysis, etc.

Upon establishment of the Joint Venture, it will become a non-wholly owned subsidiary of the Company and an “insignificant subsidiary” of the Company within the meaning of Chapter 14A of the Listing Rules. Hence, its financial results, assets and liabilities will be consolidated into the financial statements of the Group.

Registered Capital and Capital Commitment

Subject to adjustments set out below, the registered capital of the Joint Venture shall be RMB20,000,000, of which:

(a) *Shenzhen QNYN*

Shenzhen QNYN shall contribute RMB16,000,000 in cash, RMB8,000,000 of which shall be payable within 90 working days after the incorporation of the Joint Venture

(b) *the JV Partners*

CASIA Investment shall acquire from CASIA and contribute the Injected IP Rights (for itself and on behalf of Mr. Tao). 50% of the value of the Injected IP Rights will be registered as the paid-up capital of CASIA Investment and the remaining 50% will be registered as the paid-up capital of Mr. Tao.

The Injected IP Rights are not revenue generating. The value of the Injected IP Rights shall be subject to evaluation, which shall be completed within 6 months after the establishment of the Joint Venture. In the event the valuation is less than RMB4,000,000, the Injected IP Rights shall be deemed to be valued at RMB4,000,000 (“**Minimum Valuation**”). In the event the valuation is more than RMB5,000,000, the Injected IP Rights shall be deemed to be valued at RMB5,000,000 (“**Maximum Valuation**”).

In the event the valuation is more than the Minimum Valuation, the Joint Venture shall purchase the excess portion in cash, or Shenzhen QNYN shall increase its capital contribution (in cash) proportionally, such that the shareholdings of the Joint Venture shall be owned as to 80% by Shenzhen QNYN, and remaining each of 10% by each of the JV Partners. Based on the Maximum Valuation, the maximum amount of investment by Shenzhen QNYN in the registered capital of the Joint Venture will be RMB20,000,000.

The capital contribution amount by Shenzhen QNYN was determined after arm's length negotiation between the parties to the Joint Venture, having taken into account the estimated total capital required for the operation of the Joint Venture, the value of the Injected IP Rights is subject to evaluation. The capital (in the form of cash) to be contributed to the Joint Venture shall be used as the general working capital of the Joint Venture and for the research and development expenses.

It is expected that the registered capital to be contributed by the Group will be funded from the internal resources of the Group.

Board Composition and Management of the Joint Venture

The board of directors of the Joint Venture shall comprise five members, three of whom will be nominated by Shenzhen QNYN, and the remaining each of one director will be nominated by each of the JV Partners respectively. The chairman of the board and the supervisor of the Joint Venture shall be nominated by Shenzhen QNYN and CASIA, respectively. The chief scientist of the Joint Venture shall be served by a person designated by CASIA, which intends to invite Mr. Tao as the chief scientist.

The following matters, among others, shall not be approved except with the consent of over two thirds (2/3) of the voting rights (including an additional shareholder other than the shareholder holding more than two thirds (2/3) of the voting rights) and in accordance with the articles of association of the Joint Venture and the PRC companies law:

- (1) approval of business direction and investment plans;
- (2) election and change of, and approval of remuneration of directors and supervisors;
- (3) approval of the report of the board of supervisors or the supervisor;
- (4) approval of annual financial budgets;
- (5) approval of profit distribution and loss make-up plans;
- (6) increase or reduction of registered capital;
- (7) issue of debentures;

- (8) merger, demerger or dissolution, or changing the organization;
- (9) amendment of articles of association;
- (10) acquisition of shares or assets, or business merger, reorganisation or formation of new joint venture;
- (11) entering into new line of business;
- (12) capital expenditure of an amount in excess of 10% of the net asset value;
- (13) sale, lease, transfer or creation of security in respect of assets or business that is in excess of 10% of the net asset value;
- (14) other than in the normal course of business, transfer, license, mortgage, pledge, surrender, creation of encumbrance or other disposal of material intellectual properties;
- (15) giving of loan, guarantee, mortgage or creation of other rights over assets for any third parties;
- (16) conduct which may have a material effect on the production, management, financial condition, or a significant risk; and
- (17) other matters which require the consent of over two thirds (2/3) of the shareholders as stipulated in the articles of association.

Restrictions on Transfers and Encumbrances

In the event any party to the Joint Venture is desirous of transferring its shares in the Joint Venture, each other party has a right of first refusal to purchase such shares on the same terms and conditions.

If Mr. Tao is desirous of transferring his shares in the Joint Venture to a third party, unless Shenzhen QNYN and CASIA Investment consent to the transfer, Shenzhen QNYN and CASIA Investment shall have the option (i) to sell to such third party the same proportion of shares on the same terms and conditions; or (ii) to have the priority right to sell to such third party all its shareholding on the same terms and conditions. In the event the third party refuses to purchase shares from Shenzhen QNYN and CASIA Investment, Shenzhen QNYN and CASIA Investment may veto the proposed transfer of Mr. Tao. The aforesaid rights of Shenzhen QNYN and CASIA Investment shall terminate upon the completion of an IPO of the Joint Venture.

JV Partners Exit

CASIA Investment has the right to exit as a shareholder of the Joint Venture after three years of completing its capital contribution, by way of share transfer to third parties, or repurchase or reduction of capital by the Joint Venture (the said repurchase or reduction of capital by the Joint Venture shall be referred to as "**CASIA Investment Exit Right**") at the consideration equal to the higher of (a) the valuation of the Joint Venture per share with reference to the shareholding of CASIA Investment; and (b) the original investment cost of CASIA Investment per share, provided that the CASIA Investment Exit Right can only be proceeded upon: (i) CASIA Investment having issued written notice stating it exercises the CASIA Investment Exit Right ("**Exit Request**"); and (ii) the Board having approved the Exit Request, and the Company having complied with applicable laws and requirements of the Listing Rules (including approval of the Shareholders (if applicable)) in relation thereto.

The JV Partners have the right to require Shenzhen QNYN to purchase its shares ("**JV Partner Put Right**") at the consideration equal to the higher of (a) the aggregate amount of registered capital of their shareholding; and (b) the net asset value attributable to their shareholding, provided that the JV Partner Put Right can only be proceeded upon: (i) the JV Partners having issued written notice stating they exercises the JV Partner Put Right ("**Put Request**"); and (ii) the Board having approved the Put Request, and the Company having complied with applicable laws and requirements of the Listing Rules (including approval of the Shareholders (if applicable)) in relation thereto.

The aforesaid CASIA Investment Exit Right and the JV Partner Put Right of the JV Partners (as the case may be) shall terminate upon the completion of an IPO of the Joint Venture.

Other terms of the Joint Venture

The Joint Venture shall license the Injected IP Rights to CASIA for its research and non-commercial purposes for a period of three years commencing from the date of completion of incorporation of the Joint Venture at no further consideration.

(2) CO-OPERATION AGREEMENT

Date: 6 September 2019 (after trading hours)

Parties: (a) Leap Global; and
(b) CASIA

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

Information on Co-operation Agreement

CASIA shall grant the CASIA License to Leap Global for the 3 years term of the Co-operation Agreement. The CASIA License refers to the licensing of the CASIA IP Rights, which relates to certain patents, technologies and knowhow relating to voice and text emotion screening.

CASIA agrees to develop the New IP Rights for Leap Global. The New IP Rights relate to certain patents, technologies and knowhow relating to big data analysis, data storage and transmission.

For this purpose, Leap Global shall provide the necessary database, hardware and software for the use of CASIA. Leap Global shall license the New IP Rights (on a non-exclusive basis) to CASIA for research and non-commercial purposes during the term of the Co-operation Agreement for a period of three years at no further consideration.

Leap Global shall pay CASIA a consideration of RMB10 million in one lump sum within 1 month after the signing of the Co-operation Agreement.

The consideration was determined after arm's length negotiation between the parties to the Co-operation Agreement, having taken into account the business opportunities and the prospect of such technologies, the time will be spent by CASIA in developing the New IP Rights. The consideration was funded from the internal resources of the Group.

The term of the Co-operation Agreement is for the 3 years, commencing from 6 September 2019.

As the Joint Venture is in the course of being established, upon formation of the Joint Venture, the Joint Venture shall be entitled to enjoy the rights of Leap Global under the Co-operation Agreement at no consideration.

GENERAL INFORMATION ABOUT THE PARTIES

The Group

The Group is principally engaged in the provision of foundation works and ancillary services, construction wastes handling services, money lending business and investment in securities. The Group is also providing technological development related services.

CASIA and CASIA Investment

According to the information provide by CASIA, CASIA is the Institute of Automation under the Chinese Academy Sciences, is one of the earliest national automation institutes in China, functioning as one of the linchpins of China's drive to explore and harness high technologies and the natural sciences. Comprising a comprehensive research and development network, a merit-based learned society and a system of higher education, CASIA brings together scientists and engineers from China and around the world, to address both theoretical and applied problems in artificial intelligence and big data using world-class scientific and management approaches.

CASIA Investment is a wholly-owned subsidiary of CASIA, and is principally engaged in the investments of high-tech companies.

Mr. Tao

Mr. Tao is a Chinese citizen and has been working for the National Laboratory of Pattern Recognition (“NLPR”) of CASIA since 2003. He is the deputy director and a doctoral advisor of NLPR now. Mr. Tao holds a Ph. D in computer science from Tsinghua University, a master of science in Acoustic from Nanjing University and a bachelor degree from the department of electronic sciences of Nanjing University. His research scopes include but not limited to speech information processing, big data, human computer interaction and pattern recognition. The Joint Venture intends to invite Mr. Tao as its chief scientist.

Each of CASIA, CASIA Investment and Mr. Tao are Independent Third Parties at the time of entering into of the Investment Agreement and the Co-operation Agreement.

REASONS FOR THE TRANSACTIONS

The Directors considered that currently information related technologies have been an integral aspect of business success achieved by some companies.

As mentioned in the Company’s interim report for the six months ended 30 September 2018 and its annual report for the year ended 31 March 2019, the Group keep in exploring investment opportunities about the information technologies and financial technologies.

The Directors consider that the entering into of the Investment Agreement and the Co-operation Agreement provide a good opportunity for the Group to leverage on the accumulated technology and scientific research resources of CASIA to develop the business related to big data analysis and user behaviour pattern analysis, etc., so as to enhance its long-term growth potential and business scope, broaden its sources of income and are in line with the business objectives of the Group.

Having considered the aforementioned benefits, and the terms of the Investment Agreement and the Co-operation Agreement having been determined after arm’s length negotiations among the relevant parties and are on normal commercial terms, the Directors believe that the terms of the transactions are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the maximum capital commitment of the Group pursuant to the Investment Agreement and the consideration of the Co-operation Agreement are more than 5% but are less than 25%, the entering into of the Investment Agreement and the Co-operation Agreement (in aggregate) constitutes a discloseable transaction for the Company under the Listing Rules and is subject to the reporting and announcement requirements as set out in Chapter 14 of the Listing Rules.

TERMS USED IN THIS ANNOUNCEMENT

Unless the context otherwise requires, capitalised terms used in this announcement shall have the following meanings: –

“Asset Injection”	the injection of the Injected IP Rights into the Joint Venture as the capital contributions of the JV Partners pursuant to the Investment Agreement;
“Board”	the board of Directors;
“CASIA”	Institute of Automation, Chinese Academy of Sciences (中國科學院自動化研究所), which wholly owns CASIA Investment, and is a state-owned institute and an Independent Third Party at the time of entering into of the Investment Agreement and the Co-operation Agreement;
“CASIA Investment”	Beijing CASIA Investment Management Co., Ltd.* (北京中自投資管理有限公司), a company established under the laws of the PRC with limited liability, which is a state-owned enterprise, a wholly-owned subsidiary of CASIA and an Independent Third Party at the time of entering into of the Investment Agreement and the Co-operation Agreement;

“CASIA IP Rights”	certain patents, technologies and knowhow relating to voice and text emotion screening to be licensed (on a non-exclusive basis) by CASIA pursuant to the Co-operation Agreement;
“CASIA License”	the licensing of the CASIA IP Rights by CASIA pursuant to the Co-operation Agreement;
“Company”	LEAP Holdings Group Limited, (stock code: 1499), a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Main Board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it in the Listing Rules;
“Co-operation Agreement”	the co-operation agreement between Leap Global and CASIA dated 6 September 2019 in relation to (i) the CASIA License; and (ii) the development of the New IP Rights;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries from time to time;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Independent Third Party(ies)”	individual(s) or entity(ies) which is/are not connected with the Company or the Company’s connected person(s) within the meaning ascribed under the Listing Rules;
“Injected IP Rights”	certain patents, technologies and knowhow relating to big data analysis, voice data coding, decoding and conversion, emotion screening and user behaviour pattern / type / character analysis to be acquired by CASIA Investment from CASIA for the purpose of the Asset Injection;

“Investment Agreement”	the investment agreement among Shenzhen QNYN and the JV Partners dated 6 September 2019 in relation to the formation of the Joint Venture;
“IPO”	an initial public offering of shares accompanied by the listing of such shares on an exchange;
“Joint Venture”	a company proposed to be established under the laws of the PRC with limited liability pursuant to the Investment Agreement, and held as to 80% by Shenzhen QNYN, 10% by CASIA Investment and 10% by Mr. Tao, which shall be engaged in the business related to big data analysis and user behaviour pattern analysis, etc.;
“JV Partners”	CASIA Investment and Mr. Tao;
“Leap Global”	Leap Global Investment Limited, a direct wholly-owned subsidiary of the Company incorporated in Hong Kong with limited liability;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Mr. Tao”	Mr. Tao Jianhua (陶建華), a Chinese citizen who is working for CASIA and is an Independent Third Party at the time of entering into of the Investment Agreement;
“New IP Rights”	certain patents, technologies and knowhow relating to big data analysis, data storage and transmission to be developed by CASIA pursuant to the Co-operation Agreement;
“PRC”	the People’s Republic of China, and for the sole purposes of this announcement, excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC;
“Shareholder(s)”	holder(s) of the share(s) of the Company;

“Shenzhen QNYN”	Shenzhen QNYN Network Technologies Co., Ltd.* (深圳市千諾一諾網絡科技有限公司), an indirect wholly-owned subsidiary of the Company established under the laws of the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC; and
“%”	per cent.

* *The English transliteration of the Chinese name(s) in this announcement, where indicated, is included for illustration purpose only, and should not be regarded as the official English name(s) of such Chinese name(s).*

By order of the Board
LEAP Holdings Group Limited
Ren Yunan
Chairman, Chief Executive Officer and Executive Director

Hong Kong, 9 September 2019

As at the date of this announcement, the non-executive Directors are Mr. Xu Mingxing and Mr. Pu Xiaojiang; the executive Director is Mr. Ren Yunan; and the independent non-executive Directors are Mr. Li Zhouxin, Mr. Lee Man Chiu and Mr. Jiang Guoliang.