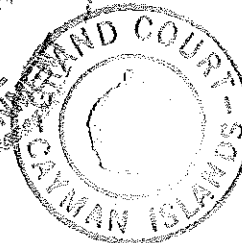
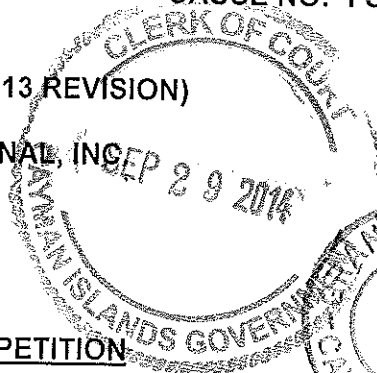
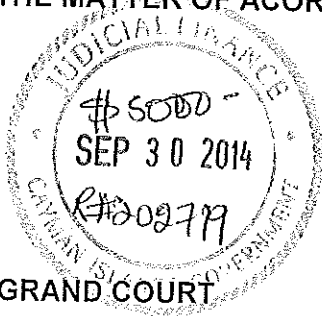


IN THE GRAND COURT OF THE CAYMAN ISLANDS
FINANCIAL SERVICES DIVISION

CAUSE NO: FSD0109 OF 2014

IN THE MATTER OF THE COMPANIES LAW (2013 REVISION)

AND IN THE MATTER OF ACORN INTERNATIONAL, INC



WINDING UP PETITION

TO THE GRAND COURT

The humble petition of Acorn Composite Corporation whose registered office is 350 S., Suite 500, Reno, NV 89501, United States of America (the "Petitioner") shows that:

Introduction

1. Acorn International, Inc. (the "Company") was registered in the Cayman Islands on 20 December 2005 as an exempted company with registration number 159255. The Company was incorporated and is registered pursuant to the Cayman Islands Companies Law (as Revised) (the "Companies Law"). The registered office of the Company is at Codan Trust Company (Cayman) Limited, PO Box 2681, Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands. The Company's principal executive offices are located at 18/F, 20th Building, 487 Tianlin Road, Shanghai 200233, People's Republic of China (the "PRC").
2. The board of directors of the Company (the "Board") is currently comprised of Mr Don Dongjie Yang (Chairman and CEO), Mr Andrew Y. Yan, Mr Gordon Xiaogang Wang and Mr Jing Wang (together the "Group of Four"), Mr Robert Roche and Mr William Liang.
3. The Company is a media and branding company operating in the PRC and listed on the New York Stock Exchange (the "NYSE") (NYSE:ATV) with market capital of approximately US\$57 million. Certain of the Company's shares are held through a common depository and are issued by the common depository in the form of American Depository Shares ("ADS").

4. The Petitioner is a member of the Company holding approximately 12.5% of the Company's total issued share capital by way of shares, and has an additional beneficial interest in the Company by way of ADS which are held by Citi (Nominees) Limited. The Petitioner is wholly owned by the Robert W. Roche 2009 Declaration of Trust, which is a trust for the benefit of Mr Roche and which Mr Roche controls.
5. Through various holding structures, Mr Roche beneficially controls shares and ADS which amount (in aggregate) to 49.5% of the Company's total issued share capital, and together, Mr Roche and other minority shareholders (related to Mr Roche) beneficially control approximately 53% of the total issued share capital of the Company and support this Petition (the "**Majority Shareholders**").

Summary

6. The Petitioner seeks a winding up order in respect of the Company on the basis that it is just and equitable that the Company be wound up for the following reasons:
 - (a) The Company is being operated in a manner which is unfairly prejudicial to the Majority Shareholders, and which threatens to cause considerable harm to it and to its shareholders as a whole including its ADS holders (together the "**Shareholders**").
 - (b) In particular, the Group of Four are:
 - (i) acting contrary to the express wishes and legitimate expectations of the Majority Shareholders and of Mr Roche, in a manner which is designed to exclude Mr Roche from continuing to act in an executive capacity within the Group, and from fulfilling his role and duties as a director of the Company;
 - (ii) taking steps so as to prevent important decisions concerning the future direction of the Company from being discussed by the members of the Company in general meetings in an informed manner, or at all, and instead ignoring Shareholder interests and seeking to entrench their own positions in the management of the Company;

- (iii) causing the Company without good reason to default on its contractual and economic obligations in such a manner that significant financial and reputational loss is likely to accrue, or has already been caused to the Company; and
 - (iv) proposing to dilute the Majority Shareholders' interest in the Company by calling a meeting of the Board for the purpose of passing a resolution of the Board to (i) issue preferred shares of the Company to external investors; and (ii) accept external investment in the Company, in circumstances where the quantum and the terms of the proposed investment will have a very significant impact on the Group as a whole and will cause very significant dilution of the Shareholders, where the alleged need for such funding has not been discussed by the Board at a properly convened Board meeting and/or in an informed manner, and not discussed by the Company in general meeting at all, it being clear to the Group of Four that Mr Roche believes that there is no other justification for such external investment in the Company (the "**Dilution Proposal**").
- (c) The conduct of the Group of Four, which constitutes a breach of the fiduciary obligations owed by each of them to the Company, and which threatens the continuation of the Company and its subsidiaries (together the "**Group**") as a going concern, includes:
 - (i) removing Mr Roche as executive chairman of the Company ("**Chairman**") to prevent him calling an Extraordinary General Meeting of the Company (an "**EGM**") in order to further their own personal ambitions to assume control of the Board without the approval of the Company in general meeting and without justification or proper purpose, and providing misleading and incomplete disclosure to the Shareholders as regards the changes to the management of the Company;
 - (ii) repeatedly frustrating attempts by the Majority Shareholders of the Company to exercise their votes as shareholders, as contemplated under the memorandum and articles of the Company (the "**M&A**") and in

accordance with the Company's practice, in order to further their own personal ambitions and without justification or proper purpose;

- (iii) the improper exclusion of Mr Roche from the management of the Company and the Group without justification or proper purpose in circumstances where Mr Roche had legitimate expectations of playing an active part of such management;
- (iv) causing members of the Group to (i) intentionally breach multiple valid and binding contracts without due cause and potentially exposing it to significant liabilities, and as a consequence exposing the Shareholders to substantial losses as against the value of their investments; (ii) refuse to proceed with valuable business opportunities on the basis they had been initiated by Mr Roche; and (iii) dismiss employees or consultants of the Company on the basis that they had been hired or supported by Mr Roche; and
- (v) engaging in conduct, including the making of the Dilution Proposal, to exert undue pressure on the Petitioner and/or to dilute the Petitioner's majority interest in the Company.

7. In the alternative to a winding up order, and on the grounds set out above, the Petitioner humbly requests that the Court exercises its jurisdiction to make the following orders pursuant to section 95(3) of the Companies Law:

- (a) an order regulating the conduct of the Company's affairs by directing the Company to call an EGM so as to allow the Shareholders to consider and vote on (a) a resolution to approve the removal of Mr Yan, Mr Yang, Mr Gordon Wang and Mr Jing Wang as directors of the Company and the appointment of Benjamin Johnson, David Leung, Yue-Sai Kan and Jong-Guang Pan as directors of the Company; and (b) a resolution to amend the M&A to allow Shareholders who are holding not less than 30% of the issued shares in the Company to convene an EGM unilaterally; and

- (b) an order requiring the Company to refrain from pursuing the Dilution Proposal until such further order of the Court or approval of the Shareholders following an EGM,

(together the "**Alternative Orders**").

Background

Group Structure

8. The Group was founded by Mr Roche and Mr Yang in the PRC in 1998 and operates one of the PRC's largest TV direct sales businesses, with a nationwide distribution network of 3,800 outlets, and other direct sales platforms. The Group reported net revenue of US\$14.8 million and gross profit of US\$6.1 million for the second quarter of 2014.
9. The Group commenced operations in 1998 through Beijing Acorn Trade Co., Ltd. ("**Beijing Acorn**"), and in 2000, two other operating companies, Shanghai Acorn Network Co., Ltd. ("**Shanghai Acorn**") and Shanghai Acorn Trade and Development Co., Ltd. ("**Shanghai Trade**") were established and commenced business operations. Each of these entities was incorporated in the PRC.
10. Prior to 1 January 2005, the Group's business was operated through Beijing Acorn, Shanghai Acorn and Shanghai Trade, including their subsidiaries. Each of these three operating companies (together, the "**Combined Entities**"), was under common management, was operated on an integrated basis and was beneficially owned by the same shareholders and, with limited exception, in the same shareholding percentages.
11. To enable the Group to raise equity capital from investors outside of the PRC, the Group established a holding company structure by incorporating China DRTV Inc. ("**China DRTV**") in the British Virgin Islands on 4 March 2004.
12. In 2004, China DRTV formed four PRC subsidiaries and two consolidated PRC affiliated entities. As part of a restructuring to implement an offshore holding company structure to comply with PRC laws imposing restrictions on foreign ownership in direct sales, wholesale distributor and advertising businesses, each of the Combined Entities,

including their subsidiaries, transferred to China DRTV's newly created consolidated subsidiaries and affiliated entities, by means of an asset transfer and liability assumption, substantially all their assets and liabilities at their net book values, except that (a) the assets and liabilities of one of the Combined Entities' subsidiaries were transferred through the transfer to China DRTV of all of that subsidiary's capital stock, and (b) after one of the three pre-restructuring operating companies, Beijing Acorn, transferred certain of its assets to two of China DRTV's subsidiaries, its shareholders transferred their equity interests in Beijing Acorn to two PRC individuals, with Beijing Acorn becoming an additional China DRTV affiliated entity.

13. Commencing on 1 January 2005, the Group's business was conducted through China DRTV and its subsidiaries and affiliated entities. Other than Beijing Acorn and the other transferred subsidiary, each of the pre-restructuring companies previously engaged in the business (including Shanghai Acorn and Shanghai Trade) was liquidated.
14. In connection with the Group's initial public offering, the Company was incorporated as the Group's listing vehicle on 20 December 2005. On 31 March 2006, the Company became the Group's ultimate holding company when it issued shares to the existing shareholders of China DRTV in exchange for all of the shares that these shareholders held in China DRTV.
15. In September 2007, the Company, through a Hong Kong incorporated subsidiary of China DRTV, acquired 100% of the legal ownership of Shanghai Acorn Advertising Broadcasting Co., Ltd, ("**Shanghai Advertising**") which was previously one of the Group's affiliated entities owned by two PRC citizens, one of whom was Mr Yang. All of the Group's advertising business operations, which include design, production and publication of TV and other advertising, are conducted by Shanghai Advertising.
16. On 13 December 2007, China DRTV formed Acorn Trade (Shanghai) Co., Ltd. ("**Acorn Shanghai**"), as a wholly-owned PRC subsidiary, through which the Group conducts its wholesale distribution business.
17. Prior to the incorporation of Acorn Shanghai, the Group's wholesale distribution business was conducted through two affiliated entities, Beijing Acorn and Shanghai Acorn Network Technology Development Co., Ltd. ("**Shanghai Network**").

18. Shanghai Network and Beijing Acorn are currently owned by two PRC citizens, Mr Yang and Mr Weiguo Ge, an assistant general manager of the Group's finance department, and are controlled by the Company through a Variable Interest Entity ("VIE") structure. Due to the legal regime in the PRC preventing foreign investors from investing in and operating the direct sales business, the Group's direct sales operations are now conducted by Beijing Acorn and Shanghai Network.
19. Due to the prohibition on foreign investment in the direct sales business as well as certain restrictions or prohibitions on foreign ownership of companies that engage in internet and other related businesses imposed by current PRC laws and regulations, including the provision of internet content, two additional affiliated entities, owned 100% by Mr Yang and Mr Ge, which are also subject to a VIE structure, were formed in order to conduct the Group's direct sales of Ozing electronic learning products and internet interactive service business.

Governance

20. Since its inception, the Group has been run by the Board as one entity. Separate management, operating independently of the Company's board, has not been appointed to any of the Company's subsidiaries or affiliated entities.
21. Mr Roche has been a member of the Board since the Company's incorporation. In 2010, as a consequence of a restructuring of the Group, and pursuant to an agreement reached with Mr Yang, Mr Roche was appointed as Chairman of the Company / Group, and took up a senior executive role within the Group.
22. Subsequently, in 2012, Mr Roche increased the percentage holding of shares that he controlled through a tender offer and simultaneously there was a buyback of shares by the Company, which had the effect of making Mr Roche the most substantial individual beneficial holder of the Company's total issued share capital, which he remains to date.
23. At the time of Mr Roche's appointment as Chairman, and until the recent events complained of herein, the legitimate expectation of the Majority Shareholders and Mr Roche, fulfilled in practice, was that he would, as Chairman and a director of the Company, be intimately involved in the management and operations of the Group on an

ongoing basis. It was also contemplated that he would work alongside his co-founder of the Company, Mr Yang, who, in 2010, had been elevated to Chief Executive Officer ("CEO") from his prior role as president of the Group. Mr Yang's appointment as CEO was effected, in the same way as Mr Roche's appointment as Chairman, by virtue of an agreement reached between himself and Mr Roche.

24. In 2013, Mr Roche believed that the Group was not performing as it should and that this could, in part, be traced back to Mr Yang's leadership as CEO. Accordingly, the decision was taken by the Board to split the Group's business into three divisions: (A) internet outbound marketing and selling; (B) catalogue sales and distributions; and (C) direct sales of the Ozing electronic learning products. Divisions (A) and (B) were managed and controlled by Mr Roche who was based in the Company's Shanghai office, and division (C) which was managed and controlled by Mr Yang, from the Company's Beijing office. However, Mr Yang retained the power and authority to consider and sign all contracts and final approval rights on all payments out of the Company and the Group, and also the power to veto any commercial decisions made by Mr Roche.
25. In determining that Mr Roche would adopt the role of Chairman, there was a clear understanding and recognition amongst the Board that, in accordance with the M&A, this role carried with it (*inter alia*) the right to convene a general meeting of Shareholders, to preside as chairman at every general meeting of Shareholders, to determine amendments proposed to resolutions tabled at general meetings of Shareholders, and the right to preside as chairman of every Board meeting and to have a casting vote at such Board meetings.

Group of Four

26. The Group of Four are led by Mr Yang and Mr Yan, both of whom control shares in the Company with respective equity interests in the Company of approximately 9% and 27% (held via corporate entities and nominees).
27. Mr Yang and Mr Yan wish to effect an exit from their investment in the Company, and have repeatedly expressed this desire at meetings of the Board and in separate discussions with Mr Roche. However, the Company's shares are currently

underperforming and Mr Yang and Mr Yan are unable to extract the value from their shares that they wish to realise via a public sale on the NYSE.

28. As a result, for a number of months, Mr Yang and Mr Yan have been seeking to effect an exit of their equity investment in the Company by either (i) a private sale with Mr Roche, or (ii) by privatising the Company, something which requires Mr Roche's approval as controller of a majority of the shares in the Company, and thereafter reaching a deal with Mr Roche which would see Mr Yang and Mr Yan receive a far higher valuation on their shares than that which would have been obtained by the rest of the Shareholders.
29. Mr Roche has been happy to entertain negotiations regarding an exit for Mr Yang and Mr Yan from the Company since January 2014, and indeed has hired a legal consultant specifically to explore this option.
30. Throughout the negotiation process, Mr Yang and Mr Yan have made it clear that the Company should be taking steps to buy their shares. However, Mr Roche has not been willing to compromise the Company's position and propose or sanction a transaction which applies too high a premium to Mr Yang and Mr Yan's shareholding, which would compromise the Company's financial position and prejudice the interests of the remaining Shareholders. Furthermore, Mr Roche has repeatedly refused to propose or sanction a private deal with Mr Yang and Mr Yan which had not been disclosed to the Company's shareholders as a whole or otherwise does not comply with applicable law or regulations.

Removal of Petitioner as Chairman

31. On 20 August 2014, a Board meeting was held on Mr Roche's request for the purposes of discussing the terms of a potential transaction with e-Surer (the "**e-Surer Proposal**"), a company with whom Mr Roche had been in discussions with for some time as regards the opportunity to use their insurance broker licence, and the terms of which had been agreed in principle with e-Surer on the morning of 19 August 2014 (the "**20 August Meeting**"). The 20 August Meeting was called on an urgent basis as e-Surer had given the Group an exclusivity period of two days, ending on 21 August 2014, in which to sign a term sheet before they turned to a competitor, and Mr Roche felt that the e-Surer

Proposal would provide a valuable revenue stream of the Group in the future. The e-Surer Proposal was voted down by the Group of Four without any due consideration at the 20 August Meeting.

32. A disagreement ensued and on 25 August 2014 in a conversation between Mr Roche and Mr Gordon Wang, Mr Roche expressed the view that the e-Surer deal was one of a number of very important deals for the Group. Furthermore, Mr Roche emphasised that Shareholders were entitled to provide input on key strategic decisions being taken by the Board, and if Shareholders did not agree with the approach being taken by the Board on matters of significance regarding the Company's future, and the Board was not prepared to listen to its Shareholders, then it was conceivable that changes in the management might need to be considered by the Company in a general meeting. Relevantly to what occurred subsequently, there were no discussions at the 20 August Meeting as regards the financial performance of the Company, Mr Roche's contributions to the same, or discussion as regards plans to address the Company's deteriorating financial position.
33. At 9.27am on the morning of 26 August 2014, Mr Yang convened a meeting of the Board at short notice for 1pm that same day (the "**26 August Meeting**"). Unlike customary practice, no agenda for the meeting was provided whatsoever. The holding of a Board meeting at short notice and a lack of agenda for a Board meeting were both highly irregular. The convening of a meeting in this manner was made all the more peculiar given that a meeting of the Board was already scheduled to occur the following day, planning for which had been underway since 1 July 2014 (the "**27 August Meeting**").
34. Due to the short notice and existing commitments, neither Mr Roche nor Mr Liang were able to attend the 26 August Meeting. The minutes of the 26 August Meeting record the fact that the Group of Four unanimously resolved to remove Mr Roche as Chairman, citing the Company and the Group's performance issues and Mr Roche's failings as Chairman: In particular, the minutes of the 26 August Meeting evidence Mr Yang referring to "*the financial conditions and operating results of the Company ... deteriorating significantly since the fourth quarter of 2012*" and Mr Roche being "*unable to take any effective measures to improve the situation, and had refused to take the advice of other directors ... on the strategies to be adopted by the Company*"; and Mr Yang referring to "*the continued decline in the Company's financial performance*" and Mr

Roche being "*distracted by his side business and unable to devote his full time and energy in the Company and fulfil his duty as Executive Chairman*".

35. The Group of Four resolved at the 26 August Meeting to appoint Mr Yang to the office of Chairman, as well as retaining his CEO status.
36. On 27 August 2014, the Group of Four issued an announcement on the Company website that Mr Roche had "*stepped down*" as Chairman on 25 August 2014. This is misleading and entirely untrue. The announcement was subsequently amended to reflect the fact that Mr Roche had "*been removed*", but no explanation was given to the Shareholders as to why Mr Roche was removed as Chairman. The Petitioner will say that the proper inference to be drawn by this Honourable Court is that Mr Roche was removed as Chairman to prevent him from calling an EGM in accordance with the M&A.
37. On 15 September 2014, Mr Roche received a letter from Travers Thorpe Alberga (acting on behalf of the Group of Four) (the "**TTA Letter**"). The TTA Letter asserted that "*serious breaches of fiduciary duty and mismanagement on the part of Mr Roche were uncovered by the directors such as necessitated the immediate removal of Mr Roche from his office....*". The reason for Mr Roche's removal as set out in the TTA Letter (i) is inconsistent with the 26 August Meeting Minutes; and (ii) has never been particularised by the Group of Four.
38. The Company is under an obligation as a matter of U.S. law to make full and proper disclosure of material events impacting the Company. If the serious breaches and mismanagement that are alleged in the TTA Letter had indeed occurred, it would have been incumbent on the Board to report their findings to the Shareholders. The fact that no such findings have been disclosed means either that the Group of Four have caused the Company to breach its US securities law/NYSE regulations obligations, or that such findings do not exist.
39. Furthermore, the TTA Letter provided that a report of the alleged breaches and mismanagement by Mr Roche would be presented to the Shareholders, however no detail was provided as to when such presentation would take place or when the Shareholders should expect to receive such a report. On 22 September 2014, Walkers, acting on behalf of Mr Roche and the Majority Shareholders, sent a letter to Travers

Thorpe Alberga in response to the TTA Letter, requesting that the Group of Four disclose the report by no later than 5pm (Beijing time) on 25 September 2014. No response has been received to this letter to date, and none of Walkers, Mr Roche nor the Shareholders have received any report of these alleged breaches.

Failure to Hold Annual General Meeting

40. The stated purpose of the 27 August Meeting was to, *inter alia*, set the date of the AGM and to agree the agenda for it. According to the agenda of the 27 August Meeting that was circulated to the Board, the anticipated date of the AGM was to be 24 October 2014 and amongst the items on the agenda of the AGM was the automatic retirement (by rotation) of Mr Yan and Mr Gordon Wang and (if they were to request it) their proposed re-election. At the 27 August Meeting, the Group of Four claimed that they did not know how much time was required in order to convene the AGM (despite the presence of the Company's in-house legal counsel who set out the relevant timing) and that they did not know what the agenda of the AGM should be, and they resolved to delay convening the AGM.
41. No general meeting for the Shareholders has been held as a consequence of the 27 August Meeting, or as a consequence of the express demands made on at least four separate occasions from Mr Roche and the Majority Shareholders for either an EGM and/or the AGM to be convened. The reasons given by the Group of Four for the refusal/failure to convene an EGM or the AGM are (a) the fact that the Chairman (now Mr Yang) and the Group of Four control if and when an EGM is convened and what is on the agenda thereof, and (b) the fact that the Group of Four dictate when the AGM is convened, and what is placed on the agenda thereof, and (c) the fact that shareholders of the Company, of whatever majority, do not have a right under the M&A to requisition or dictate the agenda of either an EGM or the AGM.
42. On 26 August 2014, having been informed about the steps that the Group of Four were planning on taking to oust Mr Roche as Chairman some minutes earlier, steps were taken by Mr Roche (in his capacity as Chairman) immediately prior to the 26 August Meeting (and his removal as Chairman) to convene an EGM in order to change the composition of the Board and arrange for a notice to be sent to this effect to Shareholders. The Group of Four approved Mr Yang subsequently issuing a notice to

the Shareholders asserting that there were technical deficiencies with the notice of meeting circulated by Mr Roche and that the EGM proposed by him would not proceed.

43. On 28 August 2014, Mr Roche wrote to the Group of Four in his capacity as a director of the Company and as the beneficial holder of a substantial percentage of the shares of the Company, requesting that the proposed EGM convened under his 26 August notice be allowed to proceed.
44. Mr Roche also requested an undertaking from the Group of Four not to take any steps that may be prejudicial to the Company (including, without limitation) any issuance of new capital, the issuance of dividends, the sale of Company assets, actions which result in a failure to honour existing contracts, the entry into new contracts or otherwise taking steps which materially impact the financial position and/or operations of the Company, without obtaining the approval of an ordinary resolution of the Company's shareholders. The response from the Group of Four on 1 September 2014 entirely ignored the request for an undertaking, and instead asserted that:
 - (a) In light of the Board's urgent concern with the financial and operating results of the Company under Mr Roche's management as Executive Director, a meeting was properly convened on 26 August 2014 to remove him from the position of Chairman;
 - (b) Mr Roche's notice of the EGM (on 26 August 2014) was technically deficient and therefore invalid. No consideration was given to allowing the EGM to proceed despite proxies received from the Majority Shareholders indicating their desire to proceed with the EGM and their support for Mr Roche's proposed resolutions;
 - (c) Mr Roche was barred access to the Company's premises, and instructed not to approach any Company employees without prior consent from the Group of Four; and
 - (d) The AGM would be held later in the year (albeit no date was specified and at the date hereof has still not been specified), and Mr Roche it was stated (incorrectly) that could use his voting rights to appoint additional directors at that time.

45. On 4 September 2014, the Majority Shareholders wrote to the Board requesting that an EGM be convened to (a) explain the current management and operational position of the Company, and the justification for the removal of Mr Roche (their nominee director), (b) allow all shareholders of the Company to vote on the resolution proposed by Mr Roche to reconstitute the Board, which would include removing two of the Group of Four, and (c) allow an amendment to be made to the M&A allowing shareholders holding (in aggregate) no less than 30% of the Company's issued shares to convene an EGM unilaterally (the "**4 September Letter**").
46. On 5 September 2014, Mr Roche and Mr Liang wrote an email to the Group of Four asking for a Board meeting to be convened so as to consider and approve the convening of an EGM to consider the proposals set out by the Majority Shareholders in the 4 September Letter (the "**Proposals**"). Notice of the meeting of the Board at 10am on 10 September 2014 was attached to that email. On 9 September the Group of Four convened a meeting at short notice, purportedly in response to the 5 September email, attaching no agenda, and passed resolutions (*inter alia*) refusing to convene an EGM or the AGM, despite the requests of Mr Roche and Mr Liang, without any explanation.
47. The Board meeting convened for 10 September 2014 was quorate and proceeded in line with the notice of meeting circulated by Mr Roche and Mr Liang on 5 September 2014, with Mr Roche and Mr Liang in attendance. Resolutions were passed (*inter alia*) convening an EGM to consider and (if appropriate) approve the Proposals (the "**10 September Resolutions**"). Notices were sent to all of the Shareholders, notifying them of the EGM scheduled to be held on 14 October 2014. Following the Group of Four disputing the validity of the 10 September Resolutions, Mr Roche and Mr Liang amended the agenda for a Board meeting that they had convened for 16 September 2014 so as to allow the Board to consider and approve the 10 September Resolutions, or, to convene an EGM to consider to Proposals on a different date, or, to convene the AGM to consider the Proposals.
48. At the Board meeting held on 16 September 2014, the Group of Four dismissed the requests made by the Majority Shareholders, and by Mr Roche and Mr Liang, out of hand. The only justification given for repeatedly refusing to convene an EGM at the request of the Majority Shareholders and the two Board members has been that the

AGM is to be held at some unspecified future date, and that therefore the inconvenience and expense of an EGM (which, it was stated, would deal with the same issues) should be avoided.

49. As at the date of this Petition, the Group of Four has refused to convene the AGM, and furthermore has even refused (despite being expressly requested to do so) to approve the placing the Proposals on any AGM agenda as and when it is held.

Improper Exclusion from Management

50. The Group of Four have sought to utilise their position, and the powers vested in the role of the Chairman, to preclude Mr Roche and (as a consequence of his regard to the Majority Shareholders' views) Mr Liang from participating in the management of the Company and the Group.
51. In the minutes of the 26 August Meeting, the Group of Four sought to marginalise Mr Roche's participation in the Company by directing that he "*should not be involved in the Company's daily operations, effective immediately*". Subsequently, the Group of Four have referred to Mr Roche's position as being that of a "*non-executive director*". This arbitrary distinction is entirely unfounded pursuant to the M&A. Mr Roche is a director of the Company, and has duties to the Company. He cannot and should not be excluded from operating as a director and discharging his fiduciary duties.
52. The steps taken by the Group of Four to exclude Mr Roche and Mr Liang from participating in the management of the Company have been extreme and inexcusable, and have included:
- (a) the removal of Mr Roche's access to his Company email account;
 - (b) blocking emails from Mr Roche's and Mr Liang's personal email addresses from entering Company inboxes (as a matter of general principle even non-executive directors should be able to communicate with their fellow board members);
 - (c) the termination of the power supply to Mr Roche's office and then to the Company's premises as a whole in order to force Mr Roche and the employees working with him to leave the office;

- (d) sending a police officer to remove Mr Roche from the Company premises in Shanghai;
 - (e) threatening employees with dismissal if they allowed Mr Roche to enter the premises;
 - (f) forcibly preventing Mr Roche and Mr Liang from entering the Company premises by hiring security guards to block the entrance to the Company's premises;
 - (g) all senior management of the Company being summoned to Mr Yang's offices in Beijing on 11 September 2014 and ordered not to speak with either Mr Roche or Mr Liang whatsoever, and in no circumstances to abide by any of their instructions; and
 - (h) the summary dismissal of employees who have entered in dialogue or cooperated with Mr Roche.
53. Mr Roche is the co-founder of the Group, the beneficial owner of approximately 49.5% of the Company's issued share capital, has invested in excess of US\$50 million into the Company, and from the time of his appointment as Chairman in 2010, had a legitimate expectation of an active role in the management of the Company.
54. Mr Liang's exclusion from management of the Company is equally inappropriate and unjustified.

Imminent Risk to the Value of the Company

55. The Group of Four are taking steps that prejudice the Company's interests by causing the Company's subsidiaries and affiliated entities to breach existing contracts with suppliers and to abandon and undermine opportunities that were, until 26 August 2014, being negotiated with the Company's business partners and despite the fact that the contracts were considered and approved by the Board and/or the Company's audit committee (which is currently composed of Mr Liang and Mr Gordon Wang). The Group continues to enjoy the benefits of these contracts, despite the fact it is not making any of the payments required under them.

56. Examples of these breaches are set out below, and the continuation of such breaches potentially exposes the Company, its subsidiaries and affiliated entities to significant litigation with liabilities estimated to be in the tens of millions of US dollars:

(a) Shanghai Network has entered into a number of contracts with Dreamstart (Hong Kong) Ltd. ("**Dreamstart**"), a company providing one-stop solutions for telemarketing businesses by its self-developed software to increase the efficiency and capability of call centres, and its affiliates, in order to purchase their software licenses and services to optimise the Group's outbound call centre. Certain companies within the Group are continuing to use Dreamstart's products despite the fact that Shanghai Network is currently in breach of its payment obligations under its contracts with Dreamstart. Mr Roche currently owns approximately 20% shares in Dreamstart and the contracts entered into with Dreamstart and its affiliates have been disclosed in public filings.

(b) Shanghai Advertising has entered into a number of contracts with China Branding Group ("**CBG**"), a company related to the Group which has special channels and resources to approach American celebrities or producers of Hollywood movies, TV shows and programs, and its affiliates, in order to source and position certain American celebrities or producers of television shows seeking business opportunities in the PRC, pursuant to which Shanghai Advertising is obligated to make payments to CBG and its affiliates for the endorsement or authorisation of celebrities and televisions shows to use their products. Certain companies within the Group are continuing to use the products and endorsements introduced by CBG despite the fact that Shanghai Advertising is currently in breach of its payment obligations under its contracts with CBG and its affiliates. Mr Roche controls 7.6% of the equity interests in CBG and holds one out of five board seats on the board of directors of CBG. The contracts entered into with CBG and its affiliates have been approved by the Board and disclosed in public filings.

57. Since his removal as Chairman, a number of key employees have informed Mr Roche that negotiations have ceased in relation to a number of important contracts for the Group's business, the Company is losing the goodwill of its business partners and key

projects that would have increased the revenue of the Company are being abandoned. Examples of the relationships that are being jeopardised are:

- (a) Alibaba – three of Alibaba's eight "key international products" have been assigned to the Company for marketing purposes and the Company has been granted a spot in Tmall International ("Tmall") (Alibaba's online retail business for international brands to sell to PRC consumers) in order to sell those products. However, the current management of the Company has only approved one of the products and preparation for marketing the products is behind schedule. Alibaba is now questioning the Company's reliability as a key partner.
 - (b) Dreamstart – The Group continues to use the products created for it by Dreamstart but refuses to pay Dreamstart.
 - (c) CBG – Due to the Group's refusal to pay CBG and its affiliates the monies owed to them, its ability to procure further introductions to celebrities through CBG in order to use their image or endorsement on products being sold on Tmall has been brought to a halt.
 - (d) Warner Brothers – Certain companies within the Group have been in negotiations to acquire the rights to develop, source, and market fashion merchandise and accessories for various television shows and films, including The Hobbit, Big Bang Theory, Arrow, and Vampire Diaries, in the PRC market.
 - (e) Maggie Q – This Asian celebrity's brand is no longer willing to provide endorsement materials to the Group due to the irresponsible handling of overdue payments and inventory since the date of Mr Roche's removal as Chairman.
 - (f) Creative Artists Agency – Certain companies within the Group had been in negotiations with US basketball star Mr Dwayne Wade's talent agent to acquire the rights to use Mr Wade's image and endorsement materials across all platforms in Asia. These negotiations have been abandoned since Mr Roche's removal as Chairman.
58. Furthermore, Mr Roche has learnt that since his removal as Chairman, a number of the employees and consultants who supported his function as an executive director or who

worked within the businesses that he ran have been dismissed arbitrarily by the Company's new management. These consultants and employees include:

- (a) Jeff Glickman: Mr Glickman was dismissed on 27 August 2014. Mr Glickman had been working as a consultant whose responsibilities were to draft scripts for the Group's inbound and outbound call centres, train the workers at the call centres, design the content, copy and lay out of SMS and catalogue campaigns, and to manage those campaigns. No formal notice or explanation of his dismissal was provided to Mr Glickman and he discovered that the payment that had been due for his hotel costs and the reimbursement of his return flights had been cancelled immediately upon his dismissal and without any notice.
- (b) Jacob Fisch: Mr Fisch was dismissed on 27 August 2014. Mr Fisch had been working as a consultant whose responsibilities were to lead contract negotiations with the Group's business partners. No formal notice or explanation of his dismissal was provided to Mr Fisch.
- (c) Samuel Patterson: Immediately following Mr Roche's removal as Chairman, Mr Patterson and his team's access to Group data was revoked, and Mr Patterson was subsequently fired. Mr Patterson was employed by the Company to lead an internal team tasked with business planning and analysis of the Group's data and financials. Following the dismissal of Mr Patterson, three of the members of his team were threatened with termination; however the Company retracted this threat and redeployed the employees in different divisions of the business, breaking up this key task force within the Group. Additionally, since his dismissal, Mr Patterson has discovered that the termination letter that he received from the Company had not been properly executed, thus making it impossible for Mr Patterson to work at another company in the PRC.

Proposed Dilution of Shares

59. At 9.30pm on 25 September 2014, an email was sent by the Company's in-house legal counsel with the subject "Notice of Board Meeting". The email stated:

"Dear Directors,

Some of the Board members have been approached by external investors for their intention to invest in the Company. For the best interest of the Company, Mr. Don Yang would like to request a board meeting at 4:30 p.m. on September 26th (Friday) Beijing time via teleconference (i) to discuss such proposed financing opportunity for the Company, (ii) to consider and instruct external legal counsels of the company to advise the Board in connection with the financing proposal, and (iii) to authorize Ms Xiaojing Li to liaise with external legal counsels in connection with the negotiation of the proposed terms, the preparation of relevant legal documents and the assessment of any other legal issues and risks on the financing proposal for the Board to consider and approve."

60. At 1.43am on Friday 26 September (Beijing time) the Company's in-house legal counsel sent by email a presentation. The email stated:

"Please find the attached proposal for discussion at tomorrow's board meeting.

This presentation summarizes the views of management and certain of the directors who have been involved in the effort to attract external investment in the Company. The management and these directors have been directly involved in the negotiations with the prospective new investors with regard to the proposed investment. The PPT proposal is intended to assist the Board of Directors in reaching an informed and considered decision as to whether or not the Company ought to proceed with the proposed investment. If anyone has any different views or concerns about the proposed investment, please do so in writing and circulate it to all members of the Board in advance of the BM. so that all issues can properly be dealt with at the BM."

61. By way of an email at 11.45am on 26 September 2014, Mr Roche sent a letter to the Board noting his concerns regarding the extremely short notice that had been given for the proposed Board meeting to be held on that date (the "**26 September Board Meeting**") and the unacceptable time frame within which the Board had been expected to review and consider the Dilution Proposal. Mr Roche also requested that the Board provide him with a written undertaking that: (a) no resolutions will be passed at the 26 September Board Meeting giving effect to the Dilution Proposal; (b) the directors of the Company will be given proper time (at least five business days) to consider the Dilution

Proposal, and thereafter to revert to the Board with further queries and take steps to arrange a further meeting at which resolutions concerning the Dilution Proposal can be properly considered by the Board. Mr Liang expressed similar views. No such undertaking was provided, although Mr Gordon Wang and Mr Yang emailed Mr Roche to tell him that it was not their intention to invite a vote on the substance of the Dilution Proposal at the 26 September Board Meeting. Mr Yang's email stated that the Dilution Proposal would be 'introduced' to the Board.

62. At the 26 September Board Meeting, when Mr Roche again raised his concerns that the Board was not being given sufficient time or sufficient detail in order to consider the Dilution Proposal, it was made clear by management and by O'Melveny & Myers ("OMM"), the Company's corporate counsel, that:
- (a) agreements in principle have been reached with Hina Group and KEYWISE Capital (the "Investors") to invest US\$20 million each in the Company through the acquisition of shares in the Company;
 - (b) the agreements with the Investors provide for the issuing of preferred shares of the Company to both Investors in consideration for the investment; one board seat for each Investor; and unexplained veto rights on "certain material matters"; and
 - (c) draft legal documents had been prepared to memorialise the terms of the Dilution Proposal and circulated by the Board to OMM.
63. A number of alternative financing proposals were raised by Mr Roche and Mr Liang at the meeting, including selling part of the business to the Investors and seeking debt financing, however the Group of Four made it clear that they would reject any proposals other than the Dilution Proposal.
64. At the 26 September Board Meeting, the Group of Four took steps to cause the Board to resolve to:
- (a) instruct the Company's corporate counsel (OMM and Campbells, the Company's Cayman Islands counsel) to liaise with the Investors to prepare the legal documents with regard to the Dilution Proposal;

- (b) convene a further Board meeting to be held on 30 September 2014 in order to approve the terms of the Dilution Proposal; and
 - (c) appoint Mr Gordon Wang, Mr Yang and Dr Peng Lu (the president of the Group) to finalise the commercial terms of the Dilution Proposal.
65. These resolutions were passed by the Board in spite of concerns raised by OMM concerning the need to obtain an independent valuation of the Company's share capital and Mr Roche's stated lack of availability on 30 September 2014.
66. The Group of Four did not present any arguments showing that the Dilution Proposal was for the benefit of the Shareholders as a whole and it was made clear that they would pass the necessary resolutions to proceed with the Dilution Proposal without obtaining the approval of the Shareholders, despite Mr Roche's request that they do so at the 26 September Board Meeting. Furthermore, they were unable to give a proper explanation of the Dilution Proposal in answer to questions or to justify why such urgency was required that the Board had to hold a meeting at such short notice (and again only provide the Board with a further two business days within which to consider the Dilution Proposal).
67. The Dilution Proposal will result in the dilution of the Majority Shareholders' shareholdings such that the Majority Shareholders will no longer be the majority holders of the issued share capital of the Company and will accordingly be unable to remove the Group of Four from the Board, and the value of the Majority Shareholders' holding will have greatly diminished. This is clearly the Group of Four's intention.
68. Mr Roche has reiterated his concerns to the Board since the 26 September Board Meeting, and has requested that if the Board considers that the Proposal has merit and is necessary, that it convene a general meeting of the Company so as to consider the Proposal, as well as to consider the threshold issue of the composition of the Board and management of the Company going forward to implement any such plan. Mr Roche requested a considered response from the Board by 2pm today 29 September 2014. In return, Mr Yang responded stating (inter alia) that the Board would hold off convening a Board meeting until full and proper consideration had been given to Mr Roche's suggestions, and that (having done so) the Board would *present its conclusions with*

regard them at the next Board Meeting. No confirmation was given as to when that Board meeting would be, what the agenda would be or on what notice period it would be held.

69. The Company is plainly being operated in a manner designed to preserve the interests of the Group of Four, as opposed to the interests of the Company or the Shareholders as a whole. The actions of the Group of Four indicate that they are taking steps in order to avoid a full and proper discussion of the Company's future at Board or Shareholder level; are in breach of their fiduciary duties to the Company; and are lacking in commercial probity.
70. It is clear that the Company is being run in an oppressive and prejudicial manner. The Group of Four are not abiding by their fiduciary duties, and are instead focussing their ambitions on their own entrenchment on the Board, and personal gains. The Company and its Shareholders stand to suffer considerable detriment if this situation is allowed to continue, and/or worsen. In the circumstances, it is just and equitable that the Company should be wound up, or that the Alternative Orders should be made.
71. The Petitioner believes that there will be a surplus of assets in the event of a winding up of the Company.

Nomination of Joint Official Liquidators

72. The Petitioner nominates Wing Sze Tiffany Wong, Edward Simon Middleton and Alexander Lawson of KPMG for appointment as joint official liquidators of the Company.

YOUR PETITIONER THEREFORE HUMBLY PRAYS THAT:

1. That the Company be wound up in accordance with the Companies Law.
2. Wing Sze Tiffany Wong, Edward Simon Middleton and Alexander Lawson of KPMG be appointed as joint official liquidators of the Company (the "JOLs").
3. The JOLs shall not be required to give security for their appointment.
4. The JOLs shall have the power to act jointly and severally in their capacity as liquidators of the Company.

5. The JOLs be authorised to take any such action as may be necessary or desirable to obtain recognition of the appointment of the JOLs in any other relevant jurisdiction and to make applications to the courts of such jurisdictions for that purpose.
6. The JOLs be authorised to exercise all the powers set out in Parts I and II of the Third Schedule to the Companies Law within and outside the Cayman Islands without the further sanction of this Honourable Court.
7. No disposition of the Company's property by or with the authority of the JOLs in carrying out their duties and functions and the exercise of their powers under any Order granted pursuant to this Petition shall be voided by virtue of section 99 of the Companies Law.
8. The JOLs be at liberty to appoint attorneys, counsel and professional advisors, whether in the Cayman Islands or elsewhere, as they may consider necessary to advise and assist them in the performance of their duties in accordance with Order 25 of The Companies Winding Up Rules 2008 (as amended).
9. Subject to section 109(2) of the Companies Law and the *Insolvency Practitioner's Regulations 2008 (as amended)*, the JOLs be authorised to render and pay invoices out of the assets of the Company for their own remuneration and the JOLs be at liberty to meet all disbursements reasonably incurred in connection with the performance of their duties.
10. The Petitioner's costs of and incidental to the Petition shall be paid out of the assets of the Company forthwith as an expense of the liquidation on an indemnity basis, such costs to be taxed if not agreed with the JOLs.
11. The JOLs be at liberty to apply.
12. Such further and/or other relief as this Honourable Court deems appropriate.

In the alternative the Petitioner humbly requests that the Court exercises its jurisdiction to make the following orders pursuant to section 95(3) of the Companies Law:

13. An order regulating the conduct of the Company's affairs by directing the Company to call an EGM so as to allow the Shareholders to consider and vote on (a) a resolution to approve the removal of Mr Yan, Mr Yang, Mr Gordon Wang and Mr Jing Wang as

directors of the Company and the appointment of Benjamin Johnson, David Leung, Yue-Sai Kan and Jong-Guang Pan as directors of the Company; and (b) a resolution to amend the M&A to allow Shareholders who are holding not less than 30% of the issued shares in the Company to convene an EGM unilaterally;

14. An order requiring the Company to refrain from pursuing the Dilution Proposal until such further order of the Court or approval of the Shareholders of the Company following an EGM;
15. Such further and/or other relief as this Honourable Court deems appropriate; and
16. The Petitioner's costs of and incidental to the Petition be paid out of the assets of the Company on an indemnity basis, such costs to be taxed if not agreed.

AND your Petitioner will ever pray etc.

DATED the 29th day of September 2014.

Walkers

WALKERS
Attorneys at Law for the Petitioner

NOTE: This petition is intended to be served on:

The Company c/o Codan Trust Company (Cayman) Limited, PO Box 2681,
Cricket Square, Hutchins Drive, George Town, Grand Cayman, Cayman Islands

This Petition is presented by Walkers, Attorneys at Law, 190 Elgin Avenue, George Town, Grand Cayman KY1-9001, for the Petitioner whose address for service is care of their said Attorneys at Law.

NOTICE OF HEARING

TAKE NOTICE THAT the hearing of this petition will take place at the Law Courts, George Town, Grand Cayman, on _____ at 10:00am.

Any correspondence or communication with the Court relating to the hearing of this petition should be addressed to the Registrar of the Financial Services Division of the Grand Court at PO Box 495, Grand Cayman KY1-1106, telephone 345 949 4296.