THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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 stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Mobile Games and Cultural Investment Limited ("**Company**"), you should at once hand this circular together with the enclosed form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

China Mobile Games and Cultural Investment Limited

中國手遊文化投資有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8081)

(1) MAJOR TRANSACTION: ACQUISITION OF ADDITIONAL 13% ISSUED CAPITAL OF THE TARGET COMPANY AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

A notice convening the extraordinary general meeting of the Company to be held at Chairman Room, Level 2, Royal Park Hotel, 8 Pak Hok Ting Street, Shatin, New Territories, Hong Kong on Monday, 7 July 2014 at 9:00 a.m. is set out on pages EGM-1 to EGM-2 of this circular. A form of proxy for use by the shareholders at the extraordinary general meeting is enclosed herein.

Whether or not you are able to attend such meeting, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the meetings or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

This circular will remain on the "Latest Company Announcements" page of the website of GEM at http://www.hkgem.com for a minimum period of seven days from the date of its posting and the website of the Company at http://www.computech.com.hk (or with effect from 2 July 2014, http://www.cmgc.com.hk).

19 June 2014

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

"Addendum"	the addendum to the MOU dated 17 January 2014 entered into between the Company, the Vendor, the Target Company, HK SBT, PrimeVision, Shanghai Wanjia, Shanghai SBT, Ms. Chen, Mr. Lu and Mr. Mao in relation to the proposed sale and purchase of certain shares in the Target Company, details of which are set out in the Company's announcement dated 17 January 2014
"Announcement"	the announcement of the Company dated 2 April 2014 in relation to the Second Acquisition
"Board"	the board of Directors
"Business Day"	any day (excluding Saturday, Sunday or public holiday and any day on which a tropical cyclone warning signal no. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a "black" rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
"BVI"	the British Virgin Islands
"Company"	China Mobile Games and Cultural Investment Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the Growth Enterprise Market of the Stock Exchange
"Conditions Precedent"	conditions precedent to the Completion pursuant to the Second SP Agreement
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the aggregate consideration payable by the Purchaser for the Second Sale Shares under the Second SP Agreement
"Contractual Arrangements"	the contractual arrangements entered into between PrimeVision, Shanghai Wanjia and its shareholders, namely, the business cooperation agreement ("**Business Cooperation Agreement**"), the exclusive technology services and management consulting agreement ("**Exclusive Technology Services and Management Consulting Agreement**"), the exclusive option agreement ("**Exclusive Option Agreement**"), the equity pledge agreement ("**Equity Pledge Agreement**"), the proxy agreement ("**Proxy Agreement**"), the power of attorney and the spousal consents

"CSRC"	China Securities Regulatory Commission (中華人民共和國證券監督管理委員會)
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to consider and approve the Second SP Agreement and the transactions contemplated thereunder
"First Acquisition"	the acquisition of the First Sale Shares
"First Sale Shares"	5 issued share of par value of US$1, representing 5% of the issued share capital of the Target Company
"First SP Agreement"	the sale and purchase agreement dated 29 January 2014 entered into between the Vendor, the Purchaser, the Company and the Vendor's Guarantors in relation to the First Acquisition, details of which are set out in the Company's announcement dated 29 January 2014
"FY2013"	the financial year of the Target Company ended 31 December 2013
"FY2014"	the financial year of the Target Company ending 31 December 2014
"FY2015"	the financial year of the Target Company ending 31 December 2015
"GAPP"	General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署) (currently known as the State Administration of Press Publication, Radio, Film and Television (國家新聞出版廣電總局))
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange
"Government Agencies"	any competent government authorities, courts, or regulatory bodies of the PRC
"Group"	the Company and its subsidiaries
"HK SBT"	Something Big Technology Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong

"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"ICP License"	the value-added telecommunications business operating license (增值電信業務經營許可證), which is generally known as the "Internet content provider license"
"Latest Practicable Date"	13 June 2014, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Long Stop Date"	31 July 2014 (or such later date as the Vendor and the Purchaser may agree in writing)
"MIIT"	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
"MOC"	Ministry of Culture of the PRC (中華人民共和國文化部)
"MOFCOM"	Ministry of Commerce of the PRC (中華人民共和國商務部)
"MOU"	the memorandum of understanding dated 22 November 2013 entered into between the Company, HK SBT, Shanghai Wanjia, Shanghai SBT, Ms. Chen, Mr. Lu and Mr. Mao in relation to the proposed sale and purchase of certain shares in the Target Company, details of which are set out in the Company's announcement dated 22 November 2013
"Mr. Lu"	Mr. Lu Le, one of the two shareholders of Shanghai Wanjia
"Mr. Mao"	Mr. Mao Yiqing, one of the two shareholders of Shanghai Wanjia
"Mr. Mei"	Mr. Mei Liang, the chief executive officer of both Shanghai Wanjia and Shanghai SBT and also the husband of Ms. Chen
"Ms. Chen"	Ms. Chen Ling, the sole director and beneficial owner of the Vendor and also the wife of Mr. Mei
"NCA"	National Copyright Administration of the PRC (中華人民共和國國家版權局)
"PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan

"PRC Legal Advisor"	Fangda Partners, the legal advisor to the Company as to the laws of the PRC
"PrimeVision"	帝覺(上海)網絡科技有限公司 (unofficial English name being "PrimeVision Tech Company Limited"), a limited company established in the PRC and a wholly-owned subsidiary of HK SBT
"Purchaser" or "Best Faith"	Best Faith Limited, a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company
"Regulatory Interviews"	the interview jointly made by the representatives of the Target Company and the PRC Legal Advisor with (i) the Director (處長) of the Fifth Inspection Department of the Enforcement General Administration of Shanghai Culture Market (上海市文化市場行政執法總隊稽查五處), the authority designated by the Shanghai government in charge of the administrative enforcement in the culture area (including without limited the online games), (ii) the Director (處長) of the Technology and Digital Publication Department of the Shanghai Administration of Press and Publication (上海市新聞出版局科技與數字出版處), and (iii) the Associate Director (副處長) of the Telecommunication Office of the Shanghai Communication Administration (上海市通信管理局電信管理處) in February 2014
"Rights Issue"	the rights issue of 560,428,810 rights shares on the basis of one rights share for every two shares held, as announced by the Company on 21 March 2014 and 20 May 2014
"RMB"	Renminbi, the lawful currency of the PRC
"SAIC"	State Administration for Industry & Commerce of the PRC (中華人民共和國國家工商行政管理總局)
"Second Acquisition"	the acquisition of the Second Sale Shares
"Second Completion"	completion of the Second Acquisition in accordance with the terms and conditions of the Second SP Agreement
"Second Completion Date"	the fifth Business Day following the date of fulfilment or waiver of all conditions precedent under the Second SP Agreement (or such later date as the Vendor and the Purchaser may agree in writing) on which Second Completion is to take place
"Second Sale Shares"	13 issued share of par value of US$1, representing 13% of the issued share capital of the Target Company

"Second SP Agreement"	the sale and purchase agreement dated 2 April 2014 entered into between the Vendor, the Purchaser, the Company and the Vendor's Guarantors in relation to the Second Acquisition
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Shanghai Group"	Shanghai Wanjia and Shanghai SBT
"Shanghai SBT"	上海顛視數碼科技有限公司 (unofficial English name being, "Shanghai Something Big Technology Co., Ltd."), a limited company established in the PRC and a wholly-owned subsidiary of Shanghai Wanjia
"Shanghai Wanjia"	上海頑迦網絡科技有限公司 (unofficial English name being "Shanghai Wanjia Network Technology Co., Ltd."), a limited company established in the PRC
"Share(s)"	shares of the Company of HK$0.10 each
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Mighty Eight Investments Limited, a company incorporated in Samoa with limited liability
"Target Group"	the Target Company and its subsidiaries together with the Shanghai Group and the "Target Group Companies" shall be construed accordingly
"US$"	U.S. dollars, the lawfully currency of the United States of America
"Vendor" or "Century Grand"	Century Grand Holdings Limited, a company incorporated in Samoa with limited liability and solely and beneficially owned by Ms. Chen
"Vendor's Guarantors"	collectively being Ms. Chen, Mr. Lu, Mr. Mao and Mr. Mei and a "Vendor's Guarantor" shall mean any of them
"VIE"	variable interest entity, which in this circular refers to Shanghai Wanjia
"Warrantors"	collectively being the Vendor and the Vendor's Guarantors and a "Warrantor" shall mean any of them
"%"	per cent.

China Mobile Games and Cultural Investment Limited
中國手遊文化投資有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8081)

Executive Directors:
Mr. Zhang Xiongfeng *(Chairman)*
Mr. Zhang Peiao *(Chief Executive Officer)*
Mr. Hung Kenneth *(Compliance Officer and Authorised Representative)*

Independent non-executive Directors:
Mr. Wong Siu Keung, Joe
Mr. Wong Ching Yip
Mr. Luk Chi Shing

Registered office:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 1801, 18/F.
Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

19 June 2014

To the Qualifying Shareholders

Dear Sir or Madam

MAJOR TRANSACTION: ACQUISITION OF ADDITIONAL 13% ISSUED CAPITAL OF THE TARGET COMPANY

INTRODUCTION

Reference is made to the Announcement in relation to the Second Acquisition. On 2 April 2014 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Company as the Purchaser's guarantor, the Vendor and the Vendor's Guarantors entered into the Second SP Agreement pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the Second Sale Shares, representing 13% of issued share capital of the Target Company. As set out in the Company's announcement dated 29 January 2014, on 29 January 2014 (after trading hours), the Purchaser, a wholly-owned subsidiary of the Company, the Company as the Purchaser's guarantor, the Vendor and the Vendor's Guarantors entered into the First SP Agreement pursuant to which the Vendor has agreed to sell, and the Purchaser has agreed to purchase, the First Sale Shares, representing 5% of issued share capital of the Target Company at the consideration of HK$43,600,000 (subject to adjustments). The Second Acquisition, in aggregate with the First Acquisition, constitutes a major transaction for the Company under the GEM Listing Rules and is subject to reporting, announcement and Shareholders' approval requirements of Chapter 19 of the GEM Listing Rules.

The purpose of this circular is to give you, among other things, (i) further information relating to the Second Acquisition; and (ii) a notice of the EGM.

THE SECOND ACQUISITION

Major terms of the Second SP Agreement are set out below.

THE SECOND SP AGREEMENT

Date

2 April 2014

Parties

(i) Century Grand as the Vendor;

(ii) Best Faith as the Purchaser;

(iii) the Company as the Purchaser's guarantor;

(iv) Ms. Chen as one of the Vendor's Guarantors;

(v) Mr. Lu as one of the Vendor's Guarantors;

(vi) Mr. Mao as one of the Vendor's Guarantors; and

(vii) Mr. Mei as one of the Vendor's Guarantors.

Century Grand is a company incorporated in Samoa with limited liability. Its principal activity is investment holding.

Ms. Chen is the sole director and sole shareholder of the Vendor. She is also the wife of Mr. Mei.

Mr. Lu and Mr. Mao are the two shareholders of Shanghai Wanjia.

Mr. Mei is the chief executive officer of both Shanghai Wanjia and Shanghai SBT. He is also the husband of Ms. Chen.

The Vendor's Guarantors are joined as parties to the Second SP Agreement to guarantee the performance by the Vendor of its obligations under the Second SP Agreement.

The Company is joined as parties to the Second SP Agreement to guarantee the performance by the Purchaser of its obligations under the Second SP Agreement.

To the best of the Directors' knowledge, information and belief having made all reasonable enquires, each of the Vendor, Ms. Chen, Mr. Lu, Mr. Mao, Mr. Mei and, where applicable, its ultimate beneficial owner are third parties independent of the Company and the connected persons of the Company.

Assets to be acquired

The Second Sale Shares represent 13% of the issued share capital of the Target Company.

Consideration

The Consideration payable by the Purchaser for the Second Acquisition is HK$113,970,000 which shall be settled by the Purchaser to the Vendor in cash upon Second Completion.

The Consideration was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to the following:

(i) the historical financial performance of the Shanghai Group and HK SBT for the two years ended 31 December 2013, i.e. the net profit (after taxation and extraordinary items) of the Target Group (on the basis that Shanghai Wanjia as well as Shanghai SBT are considered and treated as wholly-owned subsidiaries of the Target Company) increased from RMB26,482,000 for the year ended 31 December 2012 to RMB58,902,000 for the year ended 31 December 2013, representing an increase of approximately 122.42%;

(ii) the business potentials of the Target Group, taking into account the business growth of the Shanghai Group in two years ended 31 December 2013 and its ability to develop and launch new mobile games; and

(iii) the recent development of the Target Group after the entering of the First SP Agreement, in particular, in March 2014, the Target Group launched a new mobile game, namely, Voyage-Mobile (手機大航海) in various digital distribution platforms for mobile application software, including Google Play, in South East Asia markets.

The consideration for the First Acquisition was arrived at after arm's length negotiations between the Vendor and the Purchaser on normal commercial terms principally with reference to (i) the historical financial performance of the Shanghai

Group and HK SBT for the two years ended 31 December 2013; and (ii) the business potentials of the Target Group. The basis for consideration for the First Acquisition and the Consideration was different in the way that in determining the Consideration, the Vendor and the Purchaser have also taken into account the recent development of the Target Group after the entering of the First SP Agreement as mentioned in (iii) above. Taking into account the recent development of the Target Group after the entering of the First SP Agreement as mentioned in (iii) above, the Vendor and the Purchaser agreed that the Consideration should be higher than the consideration for the First Acquisition (instead of on pro rata basis).

The Consideration will be funded as to HK$61,800,000 by the net proceeds from the Rights Issue, the net proceeds from disposal of 100% interest in Funa Assets Limited of approximately HK$37,000,000 and the balance of HK$15,170,000 by borrowings of the Group.

The Consideration shall be subject to adjustments ("**Adjustments**") in the manner as stipulated below.

For the purpose of the Adjustments, the "**Audited NOP**" is the Target Group's audited net operating profit after tax, after adjustments for, where applicable, (i) any non-recurring and exceptional gains that are not related to the ordinary business of any of the Target Group Companies; and (ii) any expenses that are relating to the preparation for the listing of the Target Company or its holding company on any recognised stock exchange, in each case, as deduced from the audited consolidated financial statements of the Target Group for the relevant year.

With respect to the first adjustment under the Adjustments, if the aggregate amount of the Audited NOP for FY2013 and FY2014 is less than 95% of the target amount of RMB136,000,000 (i.e. RMB129,200,000) (for the purpose of calculating the Initial Adjustment Amount (as defined below), (i) where the Audited NOP for any relevant financial year is a negative figure, such Audited NOP shall remain as a negative figure; (ii) where the aggregate amount of the Audited NOP is a negative figure, the amount of such aggregated Audited NOP shall be deemed as zero (0)), the Vendor shall, within 30 days after the audited consolidated financial statements of the Target Company for FY2014 shall be available to the Purchaser, pay to the Purchaser a sum ("**Initial Adjustment Amount**"), in cash, which is determined in accordance with the following formula:

Initial Adjustment Amount = (RMB136,000,000 – the aggregate amount of the Audited NOP for FY2013 and FY2014) x 13%

With respect to the second adjustment under the Adjustments,

(i) if the aggregate amount of the Audited NOP for FY2013, FY2014 and FY2015 ("**Aggregated Audited NOP**") is equal or more than 95% of the target amount of RMB229,000,000 (i.e. RMB217,550,000) (for the purpose of calculating the Aggregate Audited NOP, where the Audited NOP for any relevant financial year is a negative figure, such Audited NOP shall remain as a negative figure), the Purchaser shall refund to the Vendor, within 30 days after the audited consolidated financial statements of the Target Company for FY2015 shall be available to the Purchaser, an amount equal to the aggregate Initial Adjustment Amount received by the Purchaser; or

(ii) if the Aggregate Audited NOP is less than 95% of the target amount of RMB229,000,000 (i.e. RMB217,550,000) (for the purpose of calculating the Aggregate Audited NOP, where the Audited NOP for any relevant financial year is a negative figure, such Audited NOP shall remain as a negative figure), the Vendor shall, within 30 days after the audited consolidated financial statements of the Target Company for FY2015 shall be available to the Purchaser, pay to the Purchaser a sum ("**Final Adjustment Amount**"), in cash, which is determined in accordance with the following formula:

A = (RMB229,000,000 – Aggregate Audited NOP) x 8.8 x 13% – C – D

When:

A is the Final Adjustment Amount provided that the Final Adjustment Amount shall be capped at HK$113,970,000;

C is the amount equal to the aggregate Initial Adjustment Amount received by the Purchaser on or before the 30th day after the audited consolidated financial statements of the Target Company for FY2014 is made available to the Purchaser; and

D is the total dividends declared and paid by the Target Company to the Purchaser for FY2014 and FY2015.

Provided that if the Final Adjustment Amount:

(i) is a negative figure, the Purchaser shall refund to the Vendor, within 30 days after the audited consolidated financial statements of the Target Company for FY2015 shall be available to the Purchaser, an amount equal to such negative figure;

(ii) is zero (0), the Vendor shall not pay any sum to the Purchaser; or

(iii) is a positive figure, the Vendor shall, within 30 days after the audited consolidated financial statements of the Target Company for FY2015 shall be available to the Purchaser, pay to the Purchaser the Final Adjustment Amount.

For the purpose of the Adjustments, the exchange rate between RMB and HK$ is fixed at RMB1 to HK$1.2711.

The auditor of the Target Group has not be identified and will be appointed by the Target Company (with the consent of the Group).

If the Vendor fails to perform its duty to pay in accordance with the stipulation under the adjustment regime above, it shall pay interest at the interest rate of 10% per annum for any payment overdue. Such interest shall be calculated from the date such payment becomes due until the date it is fully paid (both dates inclusive) and is calculated on a 360 days/per annum basis. In determining such interest rate of 10% per annum, the Purchaser and the Vendor have taken into account the cost of financing of the Group, which interest rate of the unsecured borrowings of the Group is in the range of 8.5% to 12% per annum.

In determining the Adjustments to the Consideration, (i) the price earning ratio (P/E ratio) with reference to the Target Company's net profit for the year ended 31 December 2013 estimated during the parties' negotiation for the First Acquisition (which is approximately 10.5) has been taken into account as a reference P/E ratio (i.e. the P/E ratio used to determine the amount of the Adjustments should not be higher than this ratio); and (ii) the P/E ratio of 8.8 (which made reference to the average of the guaranteed profit for three years ending 31 December 2015) is used in determining the Adjustments to the Consideration. The P/E ratio of 8.8 is not used in determining the amount of the Initial Adjustment Amount (but only in the Final Adjustment Amount) because (1) the profit guarantee relates to the aggregate Audited NOP for three years ending 31 December 2015 (i.e. RMB229,000,000), and (2) the Audited NOP for FY2013 and FY2014 and the Initial Adjustment Amount have been included in determining the Final Adjustment Amount and it is not necessary to include the P/E ratio of 8.8 in determining the amount of the Initial Adjustment Amount. For illustration purpose only, assuming that the Audited NOP for FY2013 and FY2014 is RMB100,000,000 and the Audited NOP for FY2015 is RMB93,000,000, under such circumstances, using the formulas set out above, the Initial Adjustment Amount payable by the Vendor will be RMB4,680,000 while the Final Adjustment Amount will be RMB36,504,000 (making total amount of the Adjustments RMB41,184,000). If P/E ratio of 8.8 is also used in determining the amount of the Initial Adjustment Amount in the above formulas, the Initial Adjustment Amount will be RMB41,184,000 and the Final Adjustment Amount will be zero (marking total amount of the Adjustments also RMB41,184,000). In determining the mechanism for determining the Adjustments to the Consideration, the Purchaser and the Vendors have also taken into account (i) the financial performance of the Target Group for the three years ended 31 December 2013, in particular, its profits on an dramatic upward trend; and (ii) the growth potentials of the Target Group, with reference to the historical growth and the new games launched and to be launched in 2014.

In determining the target amount of RMB136,000,000 and RMB229,000,000 used in the formulas above, the Purchaser and the Vendor have taken into account (i) the then unaudited profit after taxation of the Target Group (on the basis that Shanghai Wanjia and Shanghai SBT are considered and treated as wholly-owned subsidiaries of the Target Company) for year ended 31 December 2013; and (2) the expected growth of 8% for the profit after taxation of the Target Company for the year ending 31 December 2014 and the expected growth of 32% for the profit after taxation of the Target Company for the year ending 31 December 2015.

In determining the growth rate of 8% for the year ending 31 December 2014 and 32% for the year ending 31 December 2015 mentioned above, the Vendor and the Purchaser have considered (1) that the existing games will generate stable revenue in the year ending 31 December 2014 as compared to year ended 31 December 2013; and the Target Group will incur higher costs for games design and development, promotion and marketing expenses which may result in a significant increase in operating expenses (including employee benefits expenses of newly hired technical and sales personnel, advertisements etc.), which will offset profit generated from new games which would be gradually launched in various distribution channels, these two factors resulting in lower expected growth rate of 8% for year ending 31 December 2014; (2) that the Target Group will introduce several games in 2014 and each game would need approximately three months for beta test, would be gradually launched in different distribution channels and would need approximately two to three months to gain popularity; and (3) the plan that a new mobile game, Voyage-Mobile (手機大航海), will commence to be launched in the first quarter of 2014 in South East Asia markets, a SanGuo themed card game with unique playing model and game features will commence to be launched in the third quarter of 2014 and a cartoon-style RPG sports game will commence to be launched in the fourth quarter of 2014, resulting in higher expected profit after taxation of approximately RMB93,000,000 for the year ending 31 December 2015, which accounts for 32% growth rate from that of 2014.

Completion and Conditions Precedent:

The Second Completion will take place on the Second Completion Date, which shall be conditional upon and subject to:

(i) the passing by the Shareholders at the EGM of the ordinary resolution to approve the Second SP Agreement and the transactions contemplated thereunder;

(ii) (if applicable) all necessary approvals by relevant government bodies and/or competent authorities and/or third parties required to be obtained on the part of the Purchaser and the Company in respect of the Second SP Agreement and the transactions contemplated thereunder having been obtained;

(iii) the Purchaser having completed and being satisfied with the results of the due diligence review on the Target Group and its businesses, assets, debts, activities, operations, prospects and others which the Purchaser, its agents or professional advisers consider necessary and appropriate;

(iv) First Completion having taken place in accordance with the terms and conditions of the First SP Agreement;

(v) the issuance of a PRC legal opinion by a PRC law firm practicing PRC laws engaged by the Purchaser (in the form and content as satisfied by the Purchaser);

(vi) the Purchaser having received a Samoa legal opinion by a designated Samoa practicing lawyer on the lawful establishment and valid existence of the Target Company (in the form and content as satisfied by the Purchaser);

(vii) the business scope on the business licence of Shanghai Wanjia having contained all the businesses Shanghai Wanjia is actually engaged in, including but not limited to those related to "operation of games";

(viii) Shanghai Wanjia having obtained the filing by the GAPP for the game, namely SanGuo-Mobile (手機三國);

(ix) the Purchaser being satisfied that, from the date of the Second SP Agreement until Second Completion, the Warrantors' warranties would remain true, accurate and not misleading and there are no situations, facts or circumstances that would render the Warrantors in breach of their warranties or any terms in the Second SP Agreement;

(x) the completion of the transactions contemplated under the Second SP Agreement not to be restricted or prohibited by any applicable laws, including any order, injunction, judgment or ruling of any courts or other government bodies in any form; and

(xi) there being no material adverse change (or impact).

The Purchaser may at any time before Second Completion waive in writing the condition set out in (ix) above. The other conditions above cannot be waived by any party. As at the Latest Practicable Date, the conditions (iv), (vii) and (viii) above has been satisfied.

If the conditions set out above have not been fully satisfied (or as the case may be, waived) at or before 5:00 p.m. on the Long Stop Date, the Second SP Agreement shall cease and determine (save and except for provisions governing the Warrantors' warranties, indemnity, termination, confidentiality, notices, costs as well as governing law, jurisdiction and process agents and certain miscellaneous matters which shall continue to have full force and effect) and thereafter none of the parties shall have any obligations and liabilities towards each other under the Second SP Agreement save for any antecedent breaches of the terms of the Second SP Agreement.

Shareholders' agreement

Pursuant to the First SP Agreement, at First Completion, among others, the Purchaser, the Vendor and the Target Company have entered into a shareholders' agreement in relation to the Target Company. Pursuant to such shareholders' agreement, (i) the Purchaser is entitled to nominate one person to act as a director of the Target Company out of a total of up to six directors; and (ii) certain matters of the Target Company (such as change in share capital structure, change in the nature or scope of the business, winding-up or liquidation, the appointment of auditor) require the prior written consent of the Purchaser.

Undertakings:

The Warrantors jointly and severally, unconditionally and irrevocably undertake to the Purchaser that, within six months after the Second Completion Date,

(i) Shanghai Wanjia will have obtained the Internet Publication Licence which shall cover the mobile game publication business;

(ii) Shanghai Wanjia will have obtained ownership of all the trademarks of SanGuo Mobile (手機三國) and Voyage-Mobile (手機大航海), and HK SBT will have obtained ownership of all the trademarks of Keitaisangoku (携帶三國);

(iii) Shanghai Wanjia and/or Shanghai SBT will have applied for the registration of the necessary trademarks in the PRC which may be used in their respective ordinary course of business, and such applications will have been accepted;

(iv) PrimeVision will have applied for and obtained the recordation by Shanghai Software Industry Association in recognition of its software enterprise status and its software;

(v) completion of the registration of the pledge over all the shares in Shanghai Wanjia with the competent local counterpart of the SAIC; and

(vi) Shanghai Wanjia will have obtained the filing by the MOC and the GAPP for the game, namely, Voyage-Mobile (手機大航海) and the other games launched by Shanghai Wanjia and the Target Group in the PRC (excluding SanGuo-Mobile (手機三國)).

As at the Latest Practicable Date, the undertaking in paragraph (v) have been performed. The Purchaser did not require the undertakings in paragraphs (i), (ii), (iii), (iv) and (vi) to be performed by the Second Completion Date for the following reasons:

(i) according to the Interim Provisions on the Administration of Internet Publication (《互聯網出版管理暫行規定》), entity that engages in Internet publication should obtain the Internet Publication License. The launch of mobile games to the Internet is deemed as Internet publication. Therefore, Shanghai Wanjia should also obtain the Internet Publication License which shall cover the mobile game publication business. However, since (a) Shanghai Wanjia has submitted the application of Internet Publication License to GAPP, (b) except to publish the mobile games by Shanghai Wanjia directly, PRC Laws also allows mobile games to be published by third party publication firms, and that SanGuo-Mobile (手機三國) has already been published by such third party publication firm, lack of the Internet Publication License shall not be deemed as a non-compliance to Shanghai Wanjia and therefore will not affect the future business operation of Shanghai Wanjia;

(ii) PrimeVision has applied for the recordation of software company to Shanghai Software Industry Association in order to enjoy the tax preferential treatment under the policies for software companies. Lacking of such recordation will not affect the existence and operation of PrimeVision;

(iii) obtaining the registration of trademarks and ownership of registered trademarks after the Second Completion Date will not affect the operation of the Target Group after the Second Completion Date;

(iv) the game, Voyage-Mobile (手機大航海) is expected to be officially launched in the PRC in the second half of 2014 (subject to obtaining the filing with MOC and GAPP).

As for undertaking (ii), as at the Latest Practicable Date, Shanghai Wanjia has obtained ownership of all the trademarks of SanGuo Mobile (手機三國), HK SBT has obtained ownership of all the trademarks of Keitaisangoku (携帶三國) and Shanghai Wanjia has made application for the trademarks of Voyage-Mobile (手機大航海).

As for undertaking (iii), as at the Latest Practicable Date, Shanghai Wanjia and Shanghai SBT have applied for the registration of the trademarks relating to games in the PRC which may be used in their respective ordinary course of business, and such applications have been accepted. In addition, they have started for application for the trademark relating to the logo of the Target Group in the PRC.

In addition, pursuant to the Second SP Agreement, the Warrantors have undertaken in favour of the Purchaser not to engage in any business which will compete with the business of the Target Group.

INFORMATION ON THE TARGET GROUP

Background information of the Target Group

The Target Company is a company incorporated in Samoa with limited liability on 1 November 2013 whose principal business activity is investment holding. It is owned as to 70% by the Vendor, 25% by an Independent Third Party and 5% by the Purchaser.

HK SBT is a company incorporated in Hong Kong with limited liability on 2 February 2012 and a wholly-owned subsidiary of the Target Company. Its principal business activity is development and operation of mobile-online games. It is also responsible for marketing and distribution of games developed by the Shanghai Group to the international markets including Japan, Korea, United States, Taiwan, Malaysia, Macau and Singapore. HK SBT also owns the entire issued shares in seven companies which are incorporated in Samoa and save that one of such wholly owned subsidiaries is engaged in overseas distribution of mobile-online games, the other subsidiaries did not carry on any business activities as at the Latest Practicable Date.

PrimeVision is a limited company established in the PRC on 26 December 2013 whose principal business activity is development of mobile-online games and provision of related technical and consulting services. It is a wholly-owned subsidiary of HK SBT.

Shanghai Wanjia is a limited company established in the PRC on 17 July 2012 whose principal business activity is development, distribution and operation of mobile-online games. It holds certain network cultural operation licence(s) issued by the relevant authority of the PRC government in relation to the operation of the Shanghai Group. In March 2014, the Target Group launched a new mobile game, namely, Voyage-Mobile (手機大航海) in various digital distribution platforms for mobile application software, including Google Play, in South East Asia markets.

Shanghai SBT is a limited liability company established in the PRC on 30 January 2011 whose principal business activity is design and development of mobile-online games. It is one of the pioneers in the mobile-online game market and is well known for its original SanGuo-themed games, namely SanGuo-Mobile (手機三國), which is popular in the Greater China and South East Asia regions and ranked high on various digital distribution platforms for mobile application software, including Google Play and App Store. Shanghai SBT is a wholly-owned subsidiary of Shanghai Wanjia.

As set forth in the Administrative Rules for Internet Information Services (《互聯網信息服務管理辦法》), Internet service provider that provides paid services to Internet users is required to obtain the ICP License, and in addition, operators of Internet cultural activities is required by Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》) to obtain Online Cultural Business Operation License. Pursuant to such requirements, Shanghai Wanjia has obtained the ICP License, with a validity period from March 14, 2014 to March 13, 2019. Shanghai Wanjia has also obtained the Online Cultural Business Operation License, with a validity period from January 2013 to January 2016. The Online Cultural Business Operation License and the ICP License will be renewed upon expiry and Shanghai Wanjia does not foresee any issue which may affect their renewals in the future.

In addition, according to the Interim Provisions on the Administration of Internet Publication (《互聯網出版管理暫行規定》), entity that engages in Internet publication should obtain the Internet Publication License. The launch of mobile games to the Internet is deemed as Internet publication. Therefore, Shanghai Wanjia should also obtain the Internet Publication License which shall cover the mobile game publication business. Shanghai Wanjia has already applied for such license and as provided in the undertakings of the Second SP Agreement, the Internet Publication License will be obtained by Shanghai Wanjia within 6 months after the Second Completion Date.

According to Interim Rules for the Administration of Online Games (《網絡遊戲管理暫行辦法》), mobile games should be applied for filing with the Ministry of Culture within 30 days after it has been officially launched. As confirmed by the Vendor, Shanghai Wanjia has already obtained such filing for SanGuo-Mobile (手機三國), which is the only officially launched mobile game in PRC.

According to the Administration Rules for Electronic Publication (《電子出版物出版管理規定》), electronic publications, such as mobile games, should be filed with the GAPP. As confirmed by the Vendor, Shanghai Wanjia has already obtained such filing for SanGuo-Mobile (手機三國).

As advised by the Vendor, save for those non-compliance which have already been rectified and disclosed below, the Target Company and its subsidiaries did not have any material legal non-compliance in the past:

(i) Before 7 May 2014, the business scope recorded on the business license of Shanghai Wanjia failed to cover all the businesses it actually engaged in, including but not limited to those related to "operation of games".

According to the business license of Shanghai Wanjia issued by Shanghai Administration of Industry and Commerce, Songjiang Branch on 7 May 2014, the business scope of Shanghai Wanjia now covers "online game operation". Therefore, such non-compliance has been rectified and will not affect the future business operation of Shanghai Wanjia. As at the Latest Practicable Date, Shanghai Wanjia has not received any penalty on such non-compliance.

(ii) Before 14 March 2014, Shanghai Wanjia had operated mobile gaming business without the ICP License.

Since (a) Shanghai Wanjia has already obtained the ICP License on 14 March 2014, and (b) during the Regulatory Interviews with Associate Director (副處長) of the Telecommunication Office of the Shanghai Communication Administration (上海市通信管理局電信管理處), it has been confirmed that the relevant Government Agencies were aware that Shanghai Wanjia was in the process of applying for the ICP License, which shall not be deemed as material non-compliance of Shanghai Wanjia and thus will not be penalized, such historical non-compliance will not affect the future business operation of Shanghai Wanjia. As at the Latest Practicable Date, Shanghai Wanjia has not received any penalty on such non-compliance.

(iii) Before 29 May 2014, the game, SanGuo-Mobile (手機三國) had not completed its filing with the GAPP for its operation in the PRC market.

According to the approval letter issued by GAPP on 29 May 2014, the GAPP has accepted the filing of SanGuo-Mobile (手機三國), and therefore, it is unlikely for Shanghai Wanjia to be penalized for such historical non-compliance. As at the Latest Practicable Date, Shanghai Wanjia has not received any penalty on such non-compliance.

(iv) The game, Voyage-Mobile (手機大航海) has not been filed with the MOC and the GAPP for its operation in the PRC market.

Shanghai Wanjia has already suspended the operation of Voyage-Mobile (手機大航海) in the PRC market for avoidance of the non-compliance risks and plans to officially launch the game in the PRC market only after filing with the MOC and the GAPP has been obtained, it is unlikely for Shanghai Wanjia to be penalized for such non-compliance and such non-compliance will not affect the future business operation of Shanghai Wanjia. As at the Latest Practicable Date, Shanghai Wanjia has not received any penalty on such non-compliance.

(v) Shanghai SBT had provided mobile gaming services from its establishment till March 2012 without obtaining the Online Cultural Business Operation License.

As a result, Shanghai SBT was imposed with a fine of RMB100,518.5 by the Enforcement General Administration of Shanghai Culture Market on 7 March 2012 for its unlicensed operation of mobile games.

Since (a) Shanghai SBT no longer engages in mobile game operation, and (b) according to the Regulatory Interviews, the relevant Government Agencies confirmed that, except for the penalty mentioned above, they have not found any non-compliances of Shanghai SBT, and since the business of Shanghai SBT is not related to mobile game operation, such historical non-compliance will not affect the future business operation of Shanghai SBT.

Business prospects of the Target Group

During the period from 30 January 2011 to 31 December 2013, the Target Group was primarily engaged in operation and distribution of its self-development games in different regions with various language versions. The Target Group launched its original SanGuo-Mobile (named as 手機三國 in Android version and 指戰三國 in iOS version) in 2011, which is popular in the Greater China and South East Asia regions. In 2012 and 2013, to further exploration of the overseas market, the Target Group launched Keitaisangoku (named as 攜帶三國 in Android version and 三國神將傳 in iOS version) in Japan and Titans Mobile in North America regions in 2012 and Phonesamgukji (named as 폰삼국지 in Android version and 신삼국지 in iOS version) in Korea 2013. With the continued efforts on game development, integration and cooperation with various distribution platforms and payment vendors, the revenue of the Target Group has grown dramatically from approximately RMB11,779,000 for the period from 30 January 2011 to 31 December 2011, to approximately RMB58,983,000 for the year ended 31 December 2012 and to approximately RMB111,549,000 for the year ended 31 December 2013, representing the growth rate of approximately 401% in 2012 and 89% in 2013.

In 2014, other than the expected stable revenue for the games launched, the Target Group has adopted the strategies to diversify its game portfolios with its distinguished game development capabilities and populate the mobile game publishing service in Greater China and South East Asia regions based on its accumulated network of distribution platforms and payment vendors in various regions. The Target Group have actively developed several games in 2014. In March 2014, the Target Group launched a new mobile game, namely, Voyage-Mobile (手機大航海) in various digital distribution platforms for mobile application software, including Google Play, in South East Asia markets. The Target Group expects to launch a Sanguo themed card game with unique playing model and game features in the third quarter of 2014. In addition, the Target Group has obtained a license to develop a cartoon-style RPG sports game and expects to launch in the fourth quarter of 2014. Other than the game development, the Target Group is also actively negotiating with certain game developers in the PRC to publish its developed games to other regions and expects to publish several games in 2014.

Financial information of the Target Group

As set out in the accountants' report on the Target Company in Appendix II to this circular, the combined total assets value and the net assets value of the Target Group (on the basis that Shanghai Wanjia as well as Shanghai SBT are considered and treated as wholly-owned subsidiaries of the Target Company) as at 31 December 2013 were RMB107,861,000 and RMB69,016,000 respectively. The combined financial information of the Target Group (on the basis that Shanghai Wanjia as well as Shanghai SBT are considered and treated as wholly-owned subsidiaries of the Target Company) for the two years ended 31 December 2013 and 2012 is as follows:

	For the year ended 31 December 2013	**For the year ended 31 December 2012**
	RMB	*RMB*
Net profit (before taxation and extraordinary items)	73,998,000	33,253,000
Net profit (after taxation and extraordinary items)	58,902,000	26,482,000

For the two years ended 31 December 2013, revenue attributable to Shanghai Group amounted to approximately RMB27,094,000 and RMB56,766,000, respectively, representing 45.9% and 50.9% of revenue of the Target Group (on the basis that Shanghai Group are considered and treated as wholly-owned subsidiaries of the Target Company, taking into account of the Contractual Arrangements).

As mentioned in the accountants' report on the Target Company as set out in Appendix II to this circular, pursuant to a reorganisation ("**Reorganisation**") carried out by the Target Group and completed on 31 January 2014 to rationalise the structure of the Target Group, the Target Company has become the holding company of the subsidiaries now comprising the Target Group. The Target Group is regarded as a continuing entity resulting from the Reorganisation since the companies/businesses which took part in the Reorganisation were under the common control of the same equity holder, before and after the Reorganisation or incorporated by the Target Group for the purpose of the Reorganisation, and the control is not transitory. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. The financial information of the Target Group has therefore been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the years. Accordingly, the results of the Target Group for the years include the results of the subsidiaries from the earliest date presented or their respective dates of incorporation/establishment, where this is a shorter period. Also, through the Contractual Arrangements, the Target Company has rights to variable returns from its involvement with Shanghai Wanjia and Shanghai SBT, and has the ability to affect those returns through its power over Shanghai Wanjia, and is considered to control Shanghai Wanjia and Shanghai SBT indirectly through PrimeVision. Accordingly, the Target Company combined the financial results of Shanghai Wanjia and Shanghai SBT as wholly-owned subsidiaries of the Target Group under Hong Kong Financial Reporting Standards. The basis of combining the results of Shanghai Wanjia and Shanghai SBT is disclosed in note 2 to the accountants' report on the Target Company as set out in Appendix II to this circular. As mentioned in the accountant's report on the Target Company set out in Appendix II to this circular, in the opinion of the reporting accountants, the financial information prepared on the aforesaid basis gives a true and fair view of the Target Group.

The auditor of the Company, PKF, concurs with the Company's view that the investment in the Target Company should be accounted for in the consolidated financial statements of the Company in accordance with Hong Kong Financial Reporting Standard 9 "Financial Instruments"/ Hong Kong Accounting Standard (HKAS) 39 "Financial Instruments : Recognition and Measurement" and the dividend received and receivable from the Target Company, if any, should be accounted for in the consolidated financial statements of the Company in accordance with HKAS 18 "Revenue" and has no basis to disagree the view that Shanghai Wanjia and Shanghai SBT are treated as wholly-owned subsidiaries of the Target Company with their financial results consolidated into the accounts of the Target Company, taking into account of the Contractual Arrangements.

Upon Second Completion, the Target Company will be owned as to 18% by the Purchaser.

INFORMATION ON THE CONTRACTUAL ARRANGEMENTS

Introduction

Shanghai Wanjia is primarily engaged in the development and operation of mobile-online games business and is considered to be engaged in the provision of value-added telecommunications services and Internet culture business as a result of the operations of its mobile games. Pursuant to the applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (《外商投資產業指導目錄》) of 2011 jointly issued by the MOFCOM and the National Development and Reform Commission of the PRC, the Internet culture business falls within the category of industries prohibiting foreign investment. On 17 February 2011, the MOC issued the revised Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》) ("**Internet Culture Interim Provisions**"), effective as of 1 April 2011. According to the Internet Culture Interim Provisions, "Internet cultural products" are defined as including the online games specially produced for Internet and games reproduced or provided through Internet. Provision of Internet cultural products and related services is subject to the approval of the MOC or its provincial counterpart. The MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the

Administration of Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知) on 18 March 2011, which provides that the Government Agencies will not accept applications by foreign-invested Internet content providers for operation of Internet culture business (other than online music business) at the moment. Accordingly, the Target Company cannot acquire equity interest in Shanghai Wanjia through PrimeVision. As a result of the foregoing, the Target Company, through PrimeVision, has entered into the Contractual Arrangements with Shanghai Wanjia to conduct the online games business in the PRC in order to comply with the applicable PRC laws and regulations and to assert management control over the operations of, and enjoy all of the economic benefits of, the Shanghai Group. The Contractual Arrangements is designed specifically to confer upon PrimeVision the right to enjoy all the economic benefit of Shanghai Group, to exercise management control over the operations of Shanghai Group, and to prevent leakages of assets and values of Shanghai Group to the registered shareholders of Shanghai Wanjia. PrimeVision is not obligated under the Contractual Arrangements to provide any financial support to Shanghai Group. Where losses occurred to Shanghai Group, PrimeVision will not share the losses directly. In respect of any limited liability company, under PRC Company Law (公司法), it is a basic principle that a shareholder's liability in respect of a company is limited to the registered capital it subscribes. Hence, even if a company incurs loss to the extent that it becomes insolvent, its shareholder is not under any legal obligation to bear any debt incurred by the company or provide any additional capital to the company (unless otherwise agreed by the shareholder). In the current case, there is no shareholding relationship between PrimeVision and Shanghai Group, but similarly, there is no legal obligation for PrimeVision to share any losses incurred by Shanghai Group.

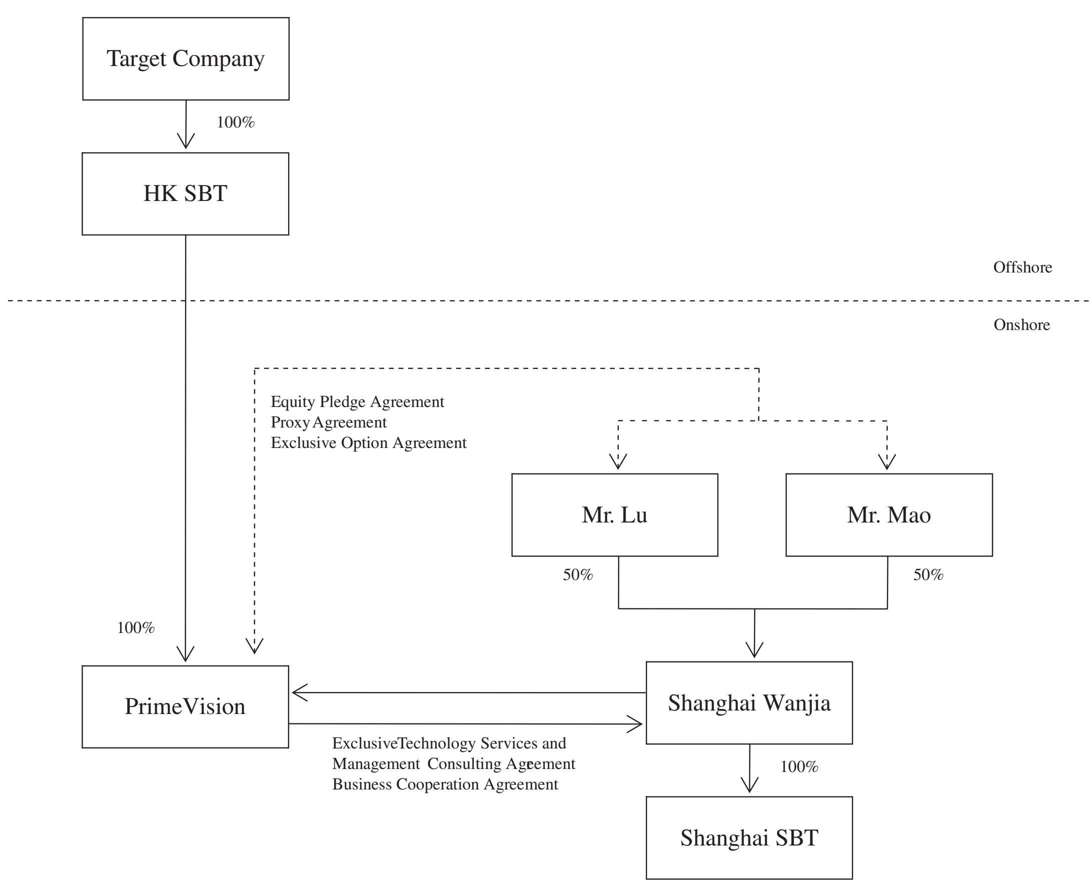
Notwithstanding the above, since the Shanghai Group is expected to contribute revenue to PrimeVision by way of making payment to PrimeVision under the Contractual Arrangements. Any loss incurred by the Shanghai Group will have an adverse impact on the ability of the Shanghai Group to make such payment and hence indirectly affecting PrimeVision's financial performance on a consolidated basis. The Contractual Arrangements entered into by the Target Group are: (i) the Business Cooperation Agreement; (ii) the Exclusive Technology Services and Management Consulting Agreement; (iii) the Exclusive Option Agreement; (iv) the Equity Pledge Agreement; and (v) the Proxy Agreement; (vi) the power of attorney; and (vii) the spousal consents.

The PRC Legal Advisor is of the opinion that except certain terms of the Contractual Arrangements as set out in the paragraph headed "Risks relating to the corporate structure of the Target Group – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws" below, the Contractual Arrangements entered into by the Target Group are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations, including those applicable to the business of the Company, the Target Company, PrimeVision and Shanghai Wanjia and do not violate the articles of association of PrimeVision and Shanghai Wanjia. The Directors therefore believe that save as disclosed, the Contractual Arrangements are enforceable under the relevant laws and regulations in the PRC, and that the Contractual Arrangements provide a mechanism that enables the Target Company to exercise effective control over the Shanghai Group.

The Board believes that the Contractual Arrangements have been narrowly tailored to achieve the Target Company's business purpose and to minimize the potential for conflict with relevant PRC laws and regulations. The Target Company's principal business is considered to be value-added telecommunications services, a sector where foreign investment is significantly restricted pursuant to the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) and the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》). In addition, certain business operation licenses (i.e., the ICP License, the Internet Cultural Business Operation License) required for the operation of the Target Company's principal business can only be obtained by PRC incorporated companies. Since the Target Company was incorporated in Samoa, any investment made by the Target Company directly or through any of its subsidiaries, including PrimeVision, is regarded as foreign investment under PRC Laws. Therefore, the Target Company and its subsidiaries are not eligible to apply for the licenses and approvals required for the operation of the Target Company's principal business, nor could they acquire equity interests of any company which has already held these licenses under the PRC Laws. In order to comply with the applicable PRC Laws, the licenses and permits that are essential to the operation of the principal business are held by Shanghai Wanjia. The Target Company, through PrimeVision, entered into the Contractual Arrangements with Shanghai Wanjia to conduct its principal business in the PRC and to assert management control over the operations of, and enjoy all of the economic benefits of Shanghai Wanjia.

Diagram of the Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from the Shanghai Group to the Target Company stipulated under the Contractual Arrangements:



Exclusive Technology Services and Management Consulting Agreement

PrimeVision and Shanghai Wanjia entered into the Exclusive Technology Services and Management Consulting Agreement, pursuant to which Shanghai Wanjia agrees to engage PrimeVision as its exclusive consultant and service provider. Accordingly, PrimeVision shall provide advice and recommendations to Shanghai Wanjia and its subsidiary in respect of, among others, (i) consulting services on the management and operations of Shanghai Wanjia; (ii) consulting services on professional training to employees of Shanghai Wanjia; (iii) consulting services on market research; (iv) technical consulting services on research and development of computer and portable device software and games; (v) technical consulting services on development or design of webpages and websites; (vi) provision of relevant information management system; (vii) provision of technology supports and related consulting services; and (viii) hiring of relevant technical personnel and provision of training and field guidance.

Pursuant to the Exclusive Technology Services and Management Consulting Agreement, Shanghai Wanjia shall pay to PrimeVision a service fee that equals to the profit of Shanghai Wanjia, after offsetting the prior-year loss (if any), working capital requirements, expenses and tax of Shanghai Wanjia. Shanghai Wanjia shall agree to pay the service fee every six months.

The Exclusive Technology Services and Management Consulting Agreement is for an indefinite term commencing from the date of the agreement (i.e. 31 January 2014), until it is terminated (i) by PrimeVision by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests in, and/or all assets of, Shanghai Wanjia by PrimeVision pursuant to the Exclusive Option Agreement. Shanghai Wanjia is not contractually entitled to terminate the Exclusive Technology Services and Management Consulting Agreement.

Proxy Agreement

PrimeVision, Shanghai Wanjia and its shareholders entered into the Proxy Agreement, pursuant to which Mr. Lu and Mr. Mao agree to enter into powers of attorney to irrevocably authorise PrimeVision to exercise all of their rights and powers as shareholders of Shanghai Wanjia. PrimeVision will act on Mr. Lu and Mr. Mao's behalf on all matters pertaining to Shanghai Wanjia and, to the extent permissible under applicable PRC laws, exercise all of their respective rights as a shareholder thereof, including (i) rights to attend shareholders' meeting; (ii) rights to exercise voting rights in a shareholders' meeting; (iii) rights to convene extraordinary shareholders' meeting; (iv) rights to sign minutes or resolutions of shareholders' meetings or other legal documents; (v) rights to instruct directors or the legal representative of Shanghai Wanjia to act in accordance with all instructions of PrimeVision; (vi) other shareholders' rights and voting rights under the articles of association of Shanghai Wanjia; (vii) rights to file documents with relevant governmental authorities or regulatory bodies; (viii) rights to decide any transfer or otherwise disposal of the equity interest of Mr. Lu and Mr. Mao in Shanghai Wanjia; and (ix) such other shareholders' rights as stipulated under applicable PRC laws, rules and regulations and the articles of association of Shanghai Wanjia. No prior consent of Mr. Lu and Mr. Mao is required for the exercise of any of the aforesaid shareholders' rights by PrimeVision.

The Proxy Agreement is for an indefinite term commencing from the date of the agreement (i.e. 31 January 2014), until it is terminated (i) by PrimeVision by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests in, and/or all assets of, Shanghai Wanjia by PrimeVision pursuant to the Exclusive Option Agreement. Mr. Lu, Mr. Mao and Shanghai Wanjia are not contractually entitled to terminate the Proxy Agreement.

Business Cooperation Agreement

PrimeVision, Shanghai Wanjia and its shareholders entered into the Business Cooperation Agreement, pursuant to which Shanghai Wanjia and its shareholders agree to appoint persons designated by PrimeVision to be the chairman (when applicable), directors/executive directors, general manager, chief financial controller and other senior management of Shanghai Wanjia and its subsidiaries. Mr. Lu and Mr. Mao, together with Shanghai Wanjia, have also agreed in the Business Cooperation Agreement that, unless there is a prior written consent from PrimeVision or its appointee, Mr. Lu, Mr. Mao and Shanghai Wanjia will not sell, transfer, lease or authorize any or all material assets of the Shanghai Wanjia, including but not limited to, intellectual property. In addition, under the Business Cooperation Agreement, PrimeVision shall have the right to obtain and review the business data, financial information and other information relevant to the operations and business of Shanghai Wanjia and its subsidiary. Pursuant to the Business Cooperation Agreement, in the event that there occurs circumstances of dissolve, liquidation, bankruptcy or restructuring of PrimeVision, Shanghai Wanjia and its shareholders shall, as HK SBT so instructs, induce Shanghai Wanjia and its subsidiary to sell or otherwise dispose of whole or part of their equity interest or assets and all the proceeds obtained therefrom shall be transferred, at nil consideration, to HK SBT or its nominee. The shareholders of Shanghai Wanjia undertake that in the event that there occurs circumstances of dissolution or liquidation of Shanghai Wanjia, all the proceeds from such dissolution or liquidation shall be transferred, at nil consideration, to PrimeVision's or HK SBT's nominee.

The Business Cooperation Agreement is for an indefinite term commencing from the date of the agreement (i.e. 31 January 2014), until it is terminated (i) by PrimeVision by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests in, or all assets of, Shanghai Wanjia by PrimeVision pursuant to the Exclusive Option Agreement. Shanghai Wanjia and its shareholders are not contractually entitled to terminate the Business Cooperation Agreement.

Appropriate arrangements have been made to protect the Target Company's interest in the event of death, bankruptcy or divorce of the registered shareholders of Shanghai Wanjia to avoid any practical difficulties in enforcing the Contractual Arrangements. Under the Business Cooperation Agreement, Mr. Lu and Mr. Mao warrant to PrimeVision that appropriate arrangements will be made to protect PrimeVision's interests in the event of their death, lost of civil capacity, bankruptcy or divorce to avoid any practical difficulties in enforcing the Business Cooperation Agreement. In this regard, the spouse of each of the registered shareholders of Shanghai Wanjia executed an irrevocable undertaking on 5 June 2014, whereby the spouse expressly and irrevocably acknowledge that, among other things, they would not claim any rights including but not limited to communal property interests in the equity interests hold by the shareholders of Shanghai Wanjia, would assume all the responsibilities and obligations under the Contractual Arrangements whenever they get the equity interests in Shanghai Wanjia as a result of any reasons and would not take any actions or launch any suits in conflicts with the purposes of the Contractual Arrangements. As advised by the PRC Legal Advisor, under the PRC laws, any inheritors of the shareholders of Shanghai Wanjia is required to assume any and all of the obligations of the registered shareholders of Shanghai Wanjia under the Contractual Arrangements if they would like to inherit any and all of the rights of the registered shareholders of Shanghai Wanjia under the Contractual Arrangements, and there is no legal concepts or rules for individual bankruptcy under PRC Laws.

Exclusive Option Agreement

PrimeVision, Mr. Mao, Mr. Lu and Shanghai Wanjia entered into the Exclusive Option Agreement, pursuant to which Mr. Mao and Mr. Lu irrevocably grant to PrimeVision or the person as designated by PrimeVision exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Shanghai Wanjia, entirely or partially, at an aggregate consideration of RMB1 for each option or a minimum purchase price permitted by PRC laws and regulations. In addition, pursuant to the Exclusive Option Agreement, Mr. Mao, Mr. Lu and Shanghai Wanjia irrevocably grant to PrimeVision or the person as designated by PrimeVision, exclusive options to acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Shanghai Wanjia which include intellectual property at an aggregate consideration of RMB1 for each option or a minimum purchase price permitted under PRC laws and regulations. PrimeVision may exercise such options at any time until it or person designated by it has acquired all equity interests or assets of Shanghai Wanjia or unilaterally terminated the Exclusive Option Agreement by giving 30 days' prior notice, subject to the applicable PRC laws and regulations.

In addition, Mr. Lu and Mr. Mao may not (i) dispose of or procure the senior management to dispose of any material assets of Shanghai Wanjia without prior written consent from PrimeVision, or (ii) pass or approve any resolution with respect to the liquidation and dissolution of Shanghai Wanjia. Based on this, the Contractual Arrangements encompass dealing with assets of Shanghai Group, and not only the right to manage its business and the right to revenue. This is to ensure that the liquidator, acting on the Contractual Arrangements, can seize the assets of Shanghai Group in a winding up situation for the benefit of the shareholders and creditors of PrimeVision.

The Exclusive Option Agreement is for an indefinite term commencing from the date of the agreement (i.e. 31 January 2014), until it is terminated (i) by PrimeVision by giving a 30 days' prior notice of termination; or (ii) upon the acquisition of the entire equity interests or all assets of, Shanghai Wanjia by PrimeVision or person designated by it pursuant to the Exclusive Option Agreement. Shanghai Wanjia and its shareholders are not contractually entitled to terminate the Exclusive Option Agreement. In addition, Mr. Mao and Mr. Lu undertake under the Exclusive Option Agreement that they will return to PrimeVision or the person as designated by PrimeVision or HK SBT any proceeds, which exceed the aggregate consideration of RMB1 as agreed under the Exclusive Option Agreement, they will receive upon the exercise of the aforesaid exclusive options.

As advised by the Vendor, it is the intention of the Target Company to unwind the Contractual Arrangements when foreign investment in the development and operation of mobile-online games business is no longer restricted in the PRC.

Equity Pledge Agreement

PrimeVision, Mr. Mao, Mr. Lu and Shanghai Wanjia entered into the Equity Pledge Agreement, pursuant to which Mr. Mao and Mr. Lu shall pledge all of their respective equity interests in Shanghai Wanjia to PrimeVision to secure the performance of all their obligations and the obligations of Shanghai Wanjia under the Contractual Arrangements. Pursuant to the Equity Pledge Agreement, PrimeVision has a first priority pledge on all or any part of the equity interests in Shanghia Wanjia held by Mr. Lu and Mr. Mao. Under the Equity Pledge Agreement, if Mr. Mao and/or Mr. Lu and/or Shanghai Wanjia breaches any obligation under the Contractual Arrangements, PrimeVision, as the pledgee, is entitled to request Mr. Mao and/or Mr. Lu to transfer the pledged equity interests, entirely or partially to PrimeVision and/or any entity or person as designated by PrimeVision. In addition, pursuant to the Equity Pledge Agreement, each of Mr. Mao and Mr. Lu undertakes to PrimeVision, among other things, not to transfer the interest in his respective equity interests in Shanghai Wanjia and not to create any pledge thereon without PrimeVision's prior written consent.

The Equity Pledge Agreement is for an indefinite term commencing on the date of the agreement (i.e. 31 January 2014), until (i) all the relevant obligations under the Contractual Arrangements have been fulfilled; (ii) all the relevant debts under the Contractual Arrangements have been settled; or (iii) it is terminated by PrimeVision by giving a 30 days' prior notice of termination. Shanghai Wanjia and its shareholders are not contractually entitled to terminate the Equity Pledge Agreement.

Power of Attorney

Mr. Lu and Mr. Mao has severally issued a power of attorney to PrimeVision, pursuant to which they irrevocably authorize PrimeVision to exercise all of their rights and powers as shareholders of Shanghai Wanjia, including (i) rights to attend shareholders' meeting; (ii) rights to exercise voting rights in a shareholders' meeting; (iii) rights to convene extraordinary shareholders' meeting; (iv) rights to sign minutes or resolutions of shareholders' meetings or other legal documents; (v) rights to instruct directors or the legal representative of Shanghai Wanjia to act in accordance with all instructions of PrimeVision; (vi) rights to file documents with relevant governmental authorities or regulatory bodies; and (vii) other shareholders' rights and voting rights under the articles of association of Shanghai Wanjia.

Spousal Consent

Each of the spouse of Mr. Lu and Mr. Mao has issued a spousal consent to PrimeVision and HKSBT, pursuant to which they irrevocably promise that they will observe the Contractual Arrangements in any case if they obtain any of the equity interest of Shanghai Wanjia or Shanghai SBT as a result of any reason and make best effort to ensure the obligations of Shanghai Wanjia and Shanghai SBT under the Contractual Arrangements will be observed.

Manner of settlement of disputes which may arise from the Contractual Arrangements

Pursuant to the Contractual Arrangements, any dispute arising from the interpretation and implementation of the Contractual Arrangements between the parties should first be resolved through negotiation, failing which any party may submit the said dispute to the Shanghai International Economic and Trade Arbitration Commission ("**SIETAC**") with a view to resolving the dispute through arbitration in accordance with the arbitration rules of the SIETAC. The results of the arbitration shall be final and binding on all relevant parties.

The PRC Legal Advisor confirmed that the abovementioned proposed dispute resolution provisions set forth in the Contractual Arrangements are in compliance with the PRC laws, legally valid and binding on the relevant signatories. However, the PRC Legal Advisor is also of the opinion that the provisions in the agreements underlying the Contractual Arrangements setting forth that courts in Hong Kong and Samoa are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under PRC laws, see the paragraph headed "Risks Relating to the Corporate Structure of the Target Group – Certain terms of the Contractual Arrangements may not be enforceable under PRC laws" below.

RISKS RELATING TO THE CORPORATE STRUCTURE OF THE TARGET GROUP

The PRC government may determine that Corporate Structure of the Target Group or the Contractual Arrangements are not in compliance with any existing or future applicable PRC laws or regulations.

If the PRC government finds that the agreements that will establish the structure for operating the mobile-online game businesses of the Target Group in the PRC do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, the Target Group could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of PrimeVision's interest in the VIE.

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (外商投資電信企業管理規定) issued by the State Council on 11 December 2001 and amended on 10 September 2008, foreign investors' ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas ("**Qualification Requirement**"). As such, if the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted, the Contractual Arrangements may be required to be unwounded before the Target Group is in a position to comply with the Qualification Requirement.

Shanghai Wanjia is principally engaged in development, distribution, and operation of mobile-online games. Under the current PRC regulatory circumstances, PrimeVision as a wholly foreign owned enterprise would not be able to obtain the relevant business license(s) of such businesses and thus is unable to provide the value-added telecommunications services and mobile game publication business in PRC directly. In compliance with 外商投資電信企業管理規定 (Administration Rules for Foreign Investments in Telecommunication Enterprises) ("**FITE Rules**") and other relevant laws, any direct or indirect acquisition by PrimeVision of the equity interests in Shanghai Wanjia would constitute foreign investment in value-added telecommunications industry in the PRC and would render PrimeVision or the acquired entity ineligible to obtain the business license(s).

The MIIT has issued a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant's annual reports for past three years, proof of Qualification Requirement and business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to satisfy the Qualification Requirement. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Save for the aforesaid guidance memorandum, as at the Latest Practicable Date, no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirement.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, the Target Group has been gradually building up the track record of overseas value-added telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests of Shanghai Wanjia when the PRC laws allow foreign investors to control value-added telecommunications enterprises in China. The Target Group is in the process of expanding its overseas value-added telecommunications business through its subsidiaries outside PRC. As at the Latest Practicable Date, the Target Group's overseas telecommunications business is primarily being operated by its Hong Kong subsidiary, HK SBT. HK SBT has been engaged in the operation and distribution of the mobile games to the international markets since 2012. After several years of development, HK SBT has severs installed in Hong Kong for oversea customers and has established and integrated with various overseas application distribution channels and payment vendors for the game operation. As advised by the PRC Legal Advisor, for the purpose of the FITE Rules, overseas business operation includes the business operation in Hong Kong, and such business operation is not governed by any current PRC laws and regulations. The PRC Legal Advisor, upon reasonable assessment, are of the view that since provision of mobile online-game operation services and distribution of online game products by HK SBT in Hong Kong are similar to the current business operation of Shanghai Wanjia, such businesses of HK SBT in Hong Kong are likely to be considered as operation of value-added telecommunications businesses in oversea. As such, despite the lack of clear guidance or interpretation of the Qualification Requirement, the PRC Legal Advisor, based on their understanding, consider the aforesaid mobile game operation of HK SBT in Hong Kong to be appropriate to comply with the Qualification Requirement. HK SBT will also be responsible for (i) analysis and assessment of overseas business opportunities; and (ii) promoting online games to overseas online game users. The Target Group will ensure that it keeps itself updated of all relevant regulatory developments and/or guidance with regards to the Qualification Requirement.

The Contractual Arrangements enable PrimeVision to have substantial control of Shanghai Wanjia, under which all economic benefits and risks arising from the business, financial and operating activities of Shanghai Wanjia are transferred to PrimeVision by means of technical consulting services fees, and thus are fundamental to the Target Group's legal structure and business operations.

On 13 July 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (關於加強外商投資經營增值電信業務管理的通知) ("**MIIT Notice**"), which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Notice, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in the PRC. Due to a lack of interpretative materials from the authorities, it cannot be assured that the MIIT will not consider the corporate structure of the Target Group and the Contractual Arrangements as a kind of foreign investment in telecommunication services, in which case the Target Group may be found in violation of the MIIT Notice.

Pursuant to the Catalogue for the Guidance of Foreign Investment Industries (外商投資產業指導目錄) of 2011 jointly issued by the MOFCOM and the National Development and Reform Commission of the PRC, the Internet culture business falls within the category of industries prohibiting foreign investment. On 17 February 2011, the MOC issued the revised Interim Provisions on the Administration of Internet Culture (互聯網文化管理暫行規定) ("**Internet Culture Interim Provisions**"), effective as of 1 April 2011. According to the Internet Culture Interim Provisions, "Internet cultural products" are defined as including the online games specially produced for Internet and games reproduced or provided through Internet. Provision of Internet cultural products and related services is subject to the approval of the MOC or its provincial counterpart. The MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the Administration of Internet Culture (關於實施新修訂《互聯網文化管理暫行規定》的通知) on 18 March 2011, which provides that the authorities will temporarily not accept applications by foreign-invested Internet content providers for operation of Internet culture business (other than online music business).

The Target Company is a Samoa company and its wholly-owned PRC subsidiary, PrimeVision is considered as a wholly foreign-invested enterprise. As stated above, the PRC government restricts foreign investment in telecommunications and online cultural businesses. Due to these restrictions, the Target Company conducts its operations in the PRC through its VIE, Shanghai Wanjia. Although the Target Company does not have any equity interest in Shanghai Wanjia, the Target Company is able to, through PrimeVision, exercise effective control over Shanghai Wanjia and its subsidiary, Shanghai SBT, and receive all of the economic benefits of its operations through the Contractual Arrangements with Shanghai Wanjia and its shareholders.

On 28 September 2009, the GAPP, the NCA and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretation of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (關於貫徹落實國務院《「三定」規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知), ("**GAPP Notice 13**"). The GAPP Notice 13 prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in the PRC, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Notice 13 has been issued to date, it is not clear how the GAPP Notice 13 will be implemented. Furthermore, as some other primary government regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Notice 13, the scope of the implementation and enforcement of the GAPP Notice 13 remains uncertain.

In or around September 2011, various media sources reported that the CSRC had prepared a report proposing regulating the use of VIE structures, such as that of the Target Company, in industry sectors subject to foreign investment restrictions in the PRC and overseas listings by China-based companies. However, it is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide.

In addition, several recent articles, including an article published in early June 2013 on The New York Times and another one on The Economic Observer (經濟觀察報), reported discussions that a recent PRC Supreme Court decision and two VIE structure-related arbitration decisions in Shanghai had cast doubt on the validity of the contractual arrangements for the VIE structure. According to these articles, the PRC Supreme Court ruled in late 2012 that an entrustment agreement entered into by and between a Hong Kong company and a PRC domestic entity, which was purported to enable such Hong Kong company to make equity investment in a PRC bank through the proxy PRC domestic entity, was void on the ground that this agreement established an entrustment relationship meant to circumvent the PRC laws and regulations that prohibit foreign investment in PRC financial institutions and as such, constituted an act of concealing illegal intentions with a legitimated form. These articles argued that as the contractual arrangement in a VIE structure and the entrustment agreement in the cited case were similar in that the contractual arrangements in the VIE structure were also designed to "get around" the regulatory restrictions on foreign investment in certain industries. As such, the articles noted that this Supreme Court decision might increase the uncertainties relating to the PRC government's view on the validity of the contractual arrangements used in the VIE structure. These articles also reported, without providing sufficient details, that two arbitration decisions by the then Shanghai CIETAC which invalidated the contractual arrangements used in a VIE structure in 2010 and 2011.

The PRC Legal Advisor is of the opinion that (i) the corporate structure of the Target Group will not violate existing PRC laws and regulations, (ii) except for certain terms of the Contractual Arrangements regarding the power of courts in Hong Kong and Samoa to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal (see the sub-paragraph headed "Certain terms of the Contractual Arrangements may not be enforceable under PRC laws" below), the Contractual Arrangements entered into by the Target Group are valid and legally binding and will not result in any violation of existing PRC laws and regulations, and (iii) the Contractual Arrangements entered into by the Target Group does not fall within any of the circumstances (including, without limitation, "concealing illegal intentions with a lawful form") under Section 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. During the Regulatory Interview, the relevant Government Agencies confirmed that, (i) under the current PRC laws, there is no detailed statutory rule allowing them to regulate Contractual Arrangements between a foreign-invested company and a domestic company that engages in business under their supervision and management, including Internet information services, Internet culture and publishing business (including mobile gaming); (ii) as long as the Contractual Arrangements do not violate any existing PRC Laws, such arrangements are allowed in practice and should be deemed as an exercise of the companies' discretion over their operation; and (iii) to their knowledge, there is no precedent case where companies are penalized for having such contractual arrangements. Since (a) the Inspection Department of the Enforcement General Administration of Shanghai Culture Market (上海市文化市場行政執法總隊), the authority designated by the Shanghai government in charge of the administrative enforcement in the culture area (including without limited the online games), the Technology and Digital Publication Department of the Shanghai Administration of Press and Publication (上海市新聞出版局科技與數字出版處), and the Telecommunication Office of the Shanghai Communication Administration (上海市通信管理局電信管理處) are the local counterparts of the MOC, the GAPP and the MIIT respectively, and each of which is directly in charge of the regulatory compliance of Shanghai Wanjia, and (b) the personnel attending to the Regulatory Interviews are from such relevant Government Agencies, and (c) in consistent with the general administrative system and practice in the PRC, civil companies are not allowed to make any leapfrog reporting or petition and they are only able to seek opinions from the Government Agencies at the municipality level who have direct jurisdiction over the business of the companies. In addition, the government officials at the municipality level are responsible for executing the administrative rules in accordance with the internal guidance given by the authorities at higher levels, therefore the PRC Legal Advisor are of the view that the government officials at the municipality level are competent to provide regulatory assurance and such assurance can be reasonably relied upon. As advised by the Vendors, the Target Company and its subsidiaries have not encountered any interference or encumbrances from any governing bodies in operating the business through the Contractual Arrangements.

According to the PRC Legal Advisor, although the GAPP Notice 13 prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in the PRC, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements, for the reasons that (a) no implementation rule or interpretation of the GAPP Notice 13 has been issued by the GAPP or any other Government Agency and the scope of the implementation and enforcement of the GAPP Notice 13 remains uncertain, (b) as some other primary government regulators, such as the MOFCOM, the MOC and the MITT, did not join the GAPP in issuing the GAPP Notice 13, and (c) that the three Government Agencies confirmed during the Regulatory Interviews that they had no objection to the Contractual Arrangements, the PRC Legal Advisor is of the opinion that the Contractual Arrangements will not be deemed invalid or ineffective under PRC Laws simply because of the GAPP Notice 13.

However, it cannot be assured that the PRC government or judicial authorities would agree that the corporate structure of the Target Group or the Contractual Arrangements comply with PRC licensing, registration, other regulatory requirements or policies that may be adopted in the future. If the PRC government or judicial authorities determines that the Target Group does not comply with applicable laws and regulations, it could have broad discretion in dealing with such incompliance, including:

1. requiring the nullification of the Contractual Arrangements;

2. levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;

3. revocation of the business licenses or operating licenses of Shanghai Wanjia and/or PrimeVision;

4. discontinuing or placing restrictions or onerous conditions on the business operations of Shanghai Wanjia and/or PrimeVision;

5. imposing conditions or requirements which the Target Group may not be able to comply with or satisfy;

6. requiring the Target Group to undergo a costly and disruptive restructuring; and

7. taking other regulatory or enforcement actions that could be harmful to or even shut down our business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on the Target Group's ability to conduct its business. In addition, if the imposition of any of these consequences causes PrimeVision to lose the rights to direct the activities of Shanghai Wanjia or its right to receive its economic benefits, the Target Company would no longer be able to consolidate the financial results of Shanghai Wanjia and thus affect the financial results of the Target Company as well as the Group's investment in the Target Company.

PrimeVision rely on the Contractual Arrangements to control and obtain the economic benefits from Shanghai Group, the operating entities in the PRC, which may not be as effective in providing operational control as direct ownership.

Due to the PRC's legal restrictions on foreign investment in mobile-online game operators, the Target Company, through PrimeVision, controls, through the Contractual Arrangements rather than equity ownership, Shanghai Group, the operating entities in the PRC and the holder of the key licenses required to operate online game business in the PRC.

However, the Contractual Arrangements still may not be as effective in exercising control over Shanghai Wanjia as equity ownership. For example, Shanghai Wanjia and its shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If PrimeVision had direct ownership of Shanghai Wanjia, PrimeVision would be able to exercise its rights as a shareholder to effect changes in its board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the Contractual Arrangements, PrimeVision would need to rely on its rights under the Business Cooperation Agreement, the Exclusive Technology Services and Business Consulting Agreement and the Proxy Agreement to effect such changes, or designate new shareholders for Shanghai Wanjia under the Exclusive Option Agreement.

If Shanghai Wanjia or its shareholders breach their obligations under the Contractual Arrangements or if PrimeVision loses the effective control over Shanghai Wanjia for any reason, PrimeVision would need to bring a claim against them under the terms of the Contractual Arrangements. The Contractual Arrangements are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the SIETAC, for arbitration, the ruling of which will be final and binding. Furthermore, personal liabilities of the shareholders of Shanghai Wanjia may also subject the equity interest they hold in Shanghai Wanjia to court preservation actions or enforcement. The legal framework and system in the PRC, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong or the United States. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in the PRC, which could limit PrimeVision's ability to enforce the Contractual Arrangements and exert effective control over Shanghai Wanjia. If Shanghai Wanjia or any of its shareholders fails to perform its respective obligations under the Contractual Arrangements, and PrimeVision are unable to enforce the Contractual Arrangements, or suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, the Target Group's business and operations could be severely disrupted, which could materially adversely affect its results of operations. As a result, the Group's investment in the Target Company could also be materially and adversely affected.

Pursuant to Exclusive Option Agreement, Mr. Mao and Mr. Lu irrevocably grant to PrimeVision or the person as designated by PrimeVision exclusive options to purchase, to the extent permitted by PRC laws and regulations, their equity interests in Shanghai Wanjia, entirely or partially, at an aggregate consideration of RMB1 for each option or a minimum purchase price permitted by PRC laws and regulations. In addition, Mr. Mao and Mr. Lu undertake under the Exclusive Option Agreement that they will return to PrimeVision or the person as designated by PrimeVision or HK SBT any proceeds, which exceed the aggregate consideration of RMB1 as agreed under the Exclusive Option Agreement, they will receive upon the exercise of the aforesaid exclusive options. If the final purchase price permitted by PRC laws is substantially more than RMB1 and Mr. Mao and Mr. Lu fails to return to PrimeVision or the person as designated by PrimeVision or HK SBT any proceeds, which exceed the aggregate consideration of RMB1 as agreed under the Exclusive Option Agreement, they will receive upon the exercise of the aforesaid exclusive options, the financial conditions of PrimeVision or its subsidiaries may be materially and adversely affected. As a result, the Group's investment in the Target Company could also be materially and adversely affected.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the SIETAC in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Shanghai Wanjia, injunctive relief and/or winding up of Shanghai Wanjia. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and Samoa are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, the PRC Legal Advisor has advised that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in Shanghai Wanjia in case of disputes. Therefore, such remedies may not be available to PrimeVision, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in Shanghai Wanjia in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Under PRC laws, courts of judicial authorities in the PRC generally would not grant injunctive relief or the winding-up order against Shanghai Wanjia as interim remedies to preserve the assets or shares in favour of any aggrieved party. The PRC Legal Advisor is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and Samoa may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or Samoa in favour of an aggrieved party) may not be recognized or enforced by PRC courts. As a result, in the event that Shanghai Wanjia or any of its shareholders breaches any of the Contractual Arrangements, PrimeVision may not be able to obtain sufficient remedies in a timely manner, and its ability to exert effective control over Shanghai Wanjia and conduct its business could be materially and adversely affected and the financial performance of the Target Company could be materially and adversely affected. As a result, the Group's investment in the Target Company could also be materially and adversely affected.

The Contractual Arrangements between PrimeVision and Shanghai Wanjia may be subject to scrutiny by the PRC tax authorities and any finding that PrimeVision or Shanghai Wanjia owes additional taxes could substantially reduce the consolidated net income of the Target Company and the value of the Group's investment in the Target Company.

Under the Contractual Arrangements among PrimeVision and Shanghai Wanjia and its equity holders, Shanghai Wanjia will transfer all of its profits to PrimeVision (less any accumulated loss, working capital requirements, expenses and tax of Shanghai Wanjia, which will substantially reduce Shanghai Wanjia's taxable income. These arrangements and transactions are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and other payments to PrimeVision by Shanghai Wanjia under the Contractual Arrangements may be challenged and deemed not in compliance with such tax rules. The Target Group could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not entered into on an arm's length basis and therefore adjust the taxable income of Shanghai Wanjia in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporation's charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by Shanghai Wanjia, which could in turn increase Shanghai Wanjia's tax liabilities. Any such adjustment could result in a higher overall tax liability of the Target Group. In addition, the PRC tax authorities may impose late payment fees and other penalties on Shanghai Wanjia for any unpaid taxes. The consolidated net income of the Target Company may be materially and adversely affected if Shanghai Wanjia's tax liabilities increase or if it is subject to late payment fees or other penalties. As a result, the value of the Group's investment may be materially and adversely affected.

RISK RELATING TO THE SECOND ACQUISITION

The Group does not have control over the Target Group upon Second Completion and will rely on PrimeVision to exercise control over the Shanghai Group through the Contractual Arrangements.

Upon Second Completion, the Group will own 18% interest in the Target Company and it does not have control over the Target Group, including the Shanghai Group. The Group will rely on PrimeVision to exercise control over the Shanghai Group through the Contractual Arrangements. If PrimeVision fails to exercise its right under the Contractual Arrangements or otherwise fails to exercise control and obtain the economic benefits from the Shanghai Group through the Contractual Arrangements, the financial results of the Target Company could be materially and adversely affected. As a result, the Group's investment in the Target Company could also be materially and adversely affected.

INSURANCE

Taken into account that the Group will only hold 18% in the Target Company upon Second Completion and the cost of insurance, the Group does not intend to purchase any insurance to cover the risks relating to the Contractual Arrangements.

INFORMATION ON THE GROUP

The Group is principally engaged in (i) design and research and development of mobile-online games and identifying and securing intellectual property rights for onward sale or licensing; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services; and (v) securities and property investments business.

REASONS FOR AND BENEFITS OF THE SECOND ACQUISITION

The Board considers that the entering into of the Second SP Agreement offers a good opportunity for the Group to make additional investment in the mobile-online games industry. The Group aims to develop as one of the leading players in mobile-online gaming industry and has recently entered into a number of transactions in pursuit of such aim.

On 29 January 2014, the Group has entered into the First SP Agreement. As set out in the Company's announcement dated 12 March 2014, the Group intended to form a wholly foreign owned enterprise ("**WFOE**") in Shanghai, the PRC which would be engaging in design, research and development of mobile-online games and identifying and securing intellectual property rights for onward sale or licensing. In addition, on 12 March 2014, the Group entered into the cooperation agreement with HK SBT in relation to the appointment of HK SBT as the preference cooperation partner of the Group in relation to the operation, publication and distribution of the mobile online games to be developed by the Group from time to time.

As set out in the Company's announcement dated 14 March 2014, on 14 March 2014, the Group entered into an exclusive license agreement with Jade Dynasty Publications Limited ("**Jade Dynasty**") pursuant to which Jade Dynasty shall grant the exclusive licence to the Group to, through itself and/or the operator appointed by the Group, to develop smart mobile devices games and its derived products in any languages based on the contents of the comic named Solor Load (小魔神) or any of the comics composed by Mr. Wong Chun Loong (alias Mr. Wong Yuk Long) as agreed by the parties to the license agreement (including but not limited to the character images, storylines, display screen, circumstances and various items (weapons and costumes) of various comics series) during the licence period.

The Directors consider that Second Acquisition is in line with the Group's development strategy to invest in mobile-online game business, the Company's business focus in the mobile-online game business and the Group's business objective to become one of the leading players in the mobile-online game industry. The Directors believe that through the First Acquisition and the Second Acquisition, the Group can tap into the investment in mobile-online game business and the Group's investment in the Target Company can strengthen the relationship between the Target Group and the Group, which can facilitate future business cooperation between the Target Group and the Group. Taking into the availability of the financial resources of the Group, the Directors consider that it would be in the benefits of the Group to acquire minority interests of the Target Company at this stage.

Pursuant to the First SP Agreement, the Purchaser is entitled to appoint one director into the board of directors of each member of the Target Group. The Purchaser has nominated and appointed one director into the board of directors of each number of the Target Group at completion of the First Acquisition. Except that the director nomination of PrimeVision is subject to the approval of the relevant government authorities in the PRC, the nominations of the director into the boards of Shanghai Wanjia and Shanghai SBT have taken immediate effect upon such nominations are made. Notwithstanding that the Group will only hold 18% interest in the Target Company upon Second Completion and the Group is not able to control the Target Company, the Group is able to oversee the operation of the Target Company though nomination of one director to the board of directors of each member of the Target Group as mentioned above. Mr. Zhang Peiao, an executive Director, has more than 7 years' experience in the online game industry in the PRC. From June 2005 to December 2013, Mr. Zhang was the senior vice president of 酷寶信息技術（上海）有限公司 (in English, for identification purpose, KuBao Information Technology (Shanghai) Co., Ltd.) and was responsible for the operation and management, media relations, government relations and legal affairs of 中國網路遊戲服務網 (in English, for identification purpose, China Online Game Service Network) (www.5173.com). The Directors are of the view that with the involvement of Mr. Zhang, the Group will be able to oversee the operation of the Target Company, which can help to protect the Group's investment in the Target Company. The Directors also consider that the veto power of the Group in respect of certain matters of the Target Company as mentioned in the paragraph headed "Shareholders' agreement" above, can also help to protect the Group's investment in the Target Company.

Although the Target Company does not have any dividend policy, taking into account the business prospects of the Target Group as mentioned in the paragraph headed "Business prospects of the Target Group" above, the Directors believe that the investment in the Target Company will broaden the income base of the Group and the Second Acquisition would be beneficial to the Group.

Although the investment in 18% interest in the Target Company upon Second Completion will only be an available-for-sale investment to the Group and it will represent about 59% of the unaudited proforma total assets of the Group as at 31 December 2013 (assuming that the Second Completion having taken place as at 31 December 2013) as set out in Appendix III to this circular, the Company has considered the concentration risk of the investment and the Company will closely oversee this investment and it will also continue to look for other investment opportunities to diversify its investment and business and mitigate its business risks.

The Board also considers that the terms of the Second SP Agreement were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Second SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

THE EGM

The EGM is convened to be held at 9:00 a.m. on Monday, 7 July 2014 at Chairman Room, Level 2, Royal Park Hotel, 8 Pak Hok Ting Street, Shatin, New Territories, Hong Kong, the notice of which is set out on pages EGM-1 to EGM-2 of this circular, for the Shareholders to consider and, if thought fit, approve the Second Acquisition.

In compliance with the GEM Listing Rules, the resolution will be voted on by way of a poll at the EGM. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, no Shareholders are required to abstain from voting on the resolution to be proposed at the EGM.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such case, the form of proxy previously submitted shall be deemed to be revoked.

RECOMMENDATION

The Directors believe that the terms of the Second Acquisition are fair and reasonable and in the interests of the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolution as set out in the notice of EGM.

ADDITIONAL INFORMATION

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

On behalf of the Board
China Mobile Games and Cultural Investment Limited
Zhang Xiongfeng
Chairman

1. FINANCIAL INFORMATION OF THE COMPANY

The audited consolidated financial statements of the Group for the years ended 31 December 2011, 31 December 2012 and 31 December 2013, including the notes thereto, have been published in the annual reports of the Company for the years ended 31 December 2011 (pages 21 to 59), 31 December 2012 (pages 27 to 65) and 31 December 2013 (pages 28 to 91), which are incorporated by reference into this circular. The said annual reports of the Company are available on the Company's website at http://www.computech.com.hk (or with effect from 2 July 2014, http://www.cmgc.com.hk) and the website of the Stock Exchange at www.hkexnews.hk.

2. STATEMENT OF INDEBTEDNESS

Borrowings

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had an outstanding borrowing of HK$24,000,000, which was an unsecured short term borrowing due to an independent third party guaranteed by the Company.

Security and guarantees

As at the close of business on 30 April 2014, being the latest practicable date for the purpose of this indebtedness statement, the Group had not utilised any banking facility.

Contingent liabilities

As at the close of business on 30 April 2014, the Group did not have any significant contingent liabilities.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and others payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 30 April 2014.

3. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the financial resources presently available to the Group, in the absence of unforeseeable circumstance, the Group has sufficient working capital for its present requirements that is for at least the next twelve months following the date of this circular.

4. MATERIAL ADVERSE CHANGE

As the Latest Practicable Date, the Directors confirm that there has been no material adverse change in the financial or trading position of the Group since 31 December 2013 (being the date to which the latest published audited financial statements of the Group were made up), save that the unaudited consolidated total comprehensive loss attributable to shareholders of the Company for the three months ended 31 March 2014 increased significantly to HK$20,133,000 as compared with the corresponding period in 2013 (HK$1,741,000) as disclosed in the Company's announcements dated 11 April 2014 and 9 May 2014 in relation to the financial performance of the Group for the three months ended 31 March 2014. Such significant increase was mainly due to (i) the increase of operating expenses (namely, employee benefits expenses, depreciation and other operating expenses) attributable to the Group's health check business, which the Group commenced in October 2013 and the loss recorded by this business during the three months ended 31 March 2014; (ii) the Group has scaled down its business on sales of IT hardware products during the three months ended 31 March 2014, resulting in a significant decrease in revenue from the IT business; and (iii) the unrealized fair value loss on available-for-sale financial assets included in other comprehensive loss.

5. FINANCIAL AND TRADING PROSPECTS

Mobile-online game business

The Group aims to develop as one of the leading players in mobile-online gaming industry. With the increasing penetration of smart mobile devices and advanced technologies, the Group expects that money spent on mobile games by users of smart mobile devices will grow rapidly in the future. Subsequent to the year under review, the Group has tapped into the industry through a series of acquisition, entering into cooperation agreement and license agreement, demonstrating the determination of the Group to implement the new business strategy.

On 29 January 2014, the Group entered into the First SP Agreement. On 12 March 2014, the Group announced that it intends to form a WFOE in Shanghai, the PRC which will be engaging in design, research and development of mobile-online games and identifying and securing intellectual property rights for onward sale or licensing. In addition, the Group entered into the cooperation agreement with HK SBT in relation to the appointment of HK SBT as the preference cooperation partner of the Group in relation to the publication, operation and distribution of the mobile-online games to be developed by the Group from time to time.

On 16 March 2014, the Group entered into exclusive license agreement with Jade Dynasty pursuant to which Jade Dynasty will grant the exclusive licence to the Group for the development of mobile games and other related products based on the contents of designated comics, including but not limited to the character images, storylines, display screen, circumstances and various items (weapons and costumes) of various comics series during the licence period.

Securities investment

In March 2014, the Group acquired 9.91% stake of Universe International Holdings Limited ("**Universe International**"), whose shares are listed on the Main Board of the Stock Exchange (stock code: 1046) from an investment holding company. As a result of the growing synergy between mobile-online games and films, the Directors consider that Universe International has growth potential and prospects upon the formation of the joint venture company with the Group pursuant to the joint venture agreement dated 5 December 2013 entered into between the Group and Universe International. The acquisition represents a good opportunity for the Group to expand its investment portfolio and develop the Group's securities and property investments business. In order to maximise returns for the shareholders of the Company, the Group will continue to consider to invest in quality listed securities.

6. EFFECT OF THE SECOND ACQUISITION

Assets

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular, upon Second Completion, the unaudited pro forma consolidated total assets of the Group would increase to HK$192,620,000.

Liabilities

Based on the unaudited pro forma financial information of the Group as set out in Appendix III to this circular, upon Second Completion and assuming HK$15,170,000 to be satisfied by borrowings, the unaudited pro forma consolidated total liabilities of the Group would increase to HK$31,868,000.

Earnings

Since the Target Company will not be a subsidiary of the Company, the financial results of the Target Group will not be consolidated with those of the Group and the Group's interest in the Target Group will only be accounted as available-for-sale financial assets. Save for the dividends that may be declared and distributed by the Target Company to the Group, the Second Acquisition is not expected to have any significant impact on the earnings of the Group.

(1) ACCOUNTANTS' REPORT ON THE TARGET COMPANY

The following is the text of a report, prepared for the sole purpose of inclusion in this circular, received from the independent reporting accountants, BDO Limited, Certified Public Accountants, Hong Kong:

BDO

19 June 2014

The Directors
China Mobile Games and Cultural Investment Limited

Dear Sirs,

We set out below our report on the financial information of Mighty Eight Investments Limited (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**") which comprises the combined statements of comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Target Group for the period from 30 January 2011 to 31 December 2011 (the "**Period ended 31 December 2011**") and each of the two years ended 31 December 2012 and 2013 (together with the Period ended 31 December 2011, the three accounting periods are defined as the "**Relevant Periods**"), and the combined statements of financial position of the Target Group as at 31 December 2011, 2012 and 2013 and the statement of financial position of the Target Company as at 31 December 2013 and a summary of significant accounting policies and other explanatory notes (the "**Financial Information**"), for inclusion in the circular issued by China Mobile Games and Cultural Investment Limited (the "**Company**") dated 19 June 2014 (the "**Circular**") in connection with the acquisition of additional 13% issued capital of the Target Company by a subsidiary of the Company.

The Target Company was incorporated in the Samoa on 1 November 2013 as an exempted company with limited liability under the International Companies Act 1987 of Samoa. As of the date of this report, no statutory financial statements have been prepared for the Target Company.

As of the date of this report, the Target Company has direct and indirect interests in the subsidiaries as set out in note 2 of Section II below. The statutory financial statements of the subsidiaries now comprising the Target Group were prepared in accordance with the relevant accounting principles applicable to these companies in the jurisdictions in which they were incorporated or established. Details of their statutory auditors during the Relevant Periods are set out in note 2 of Section II below.

Pursuant to a Target Group reorganisation as described in Note 2 of Section II below, which was completed on 31 January 2014, the Target Company has become the holding company of the subsidiaries now comprising the Target Group (the "**Reorganisation**").

For the purpose of this report, the director of the Target Company has prepared the Target Group's combined financial statements (the "**Underlying Financial Statements**") for the Relevant Periods on the basis of presentation and preparation set out in notes 2 to 3 of Section II below and the accounting policies set out in note 4 of Section II below which conform with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

The Financial Information has been prepared based on the Underlying Financial Statements with no adjustment made thereon.

The director of the Target Company is responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in notes 2 to 3 of Section II below, the accounting policies set out in note 4 of Section II below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"), and for such internal control as the director of the Target Company determines is necessary to enable the preparation of the Financial Information that is free from material misstatement, whether due to fraud or error.

The directors of the Company are responsible for the Financial Information presented in this report and the contents of the Circular in which this report is included. Our responsibility is to form an independence opinion on the Financial Information based on our procedures and to report our opinion to you.

For the purpose of this report, we have carried out audit procedures in respect of the Underlying Financial Statements in accordance with Hong Kong Standards on Auditing issued by the HKICPA and have examined the Financial Information of the Target Group and have carried out appropriate procedures as we consider necessary in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information prepared on the basis of presentation and preparation set out in notes 2 to 3 of Section II below and in accordance with the accounting policies set out in note 4 of Section II below gives a true and fair view of the state of affairs of the Target Group as at 31 December 2011, 2012 and 2013 and the Target Company as at 31 December 2013 and of the Target Group's results and cash flows for the Relevant Periods.

I. FINANCIAL INFORMATION

Combined Statements of Comprehensive Income

	Notes	Period ended 31 December 2011 RMB'000	Years ended 31 December 2012 RMB'000	2013 RMB'000
Revenue	7	11,779	58,983	111,549
Cost of sales		(4,038)	(13,104)	(15,150)
Gross profit		7,741	45,879	96,399
Other income	8	1	70	208
Selling and distribution expenses		(853)	(4,063)	(7,814)
Administrative expenses		(1,812)	(8,633)	(14,795)
Profit before income tax	10	5,077	33,253	73,998
Income tax expense	11	(1,412)	(6,771)	(15,096)
Profit for the period/year attributable to owner of the Target Company		3,665	26,482	58,902
Other comprehensive income, net of tax				
Items that may be reclassified subsequently to profit or loss:				
Change in fair value of available-for-sale financial assets	21	–	–	230
Exchange differences arising on translation of foreign operations		–	(90)	(1,225)
Other comprehensive income for the period/year		–	(90)	(995)
Total comprehensive income for the period/year attributable to owner of the Target Company		3,665	26,392	57,907

Combined Statements of Financial Position

		As at 31 December		
		2011	**2012**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	*15*	1,115	5,483	7,978
Pledged bank deposit	*22*	–	–	236
Deferred tax assets	*16*	984	1,034	741
		2,099	6,517	8,955
Current assets				
Trade receivables	*17*	–	959	3,084
Prepayments, deposits and other receivables	*18*	8	246	5,079
Amounts due from third party payment vendors	*19*	2,152	10,054	45,334
Amounts due from related parties	*20*	8,070	17,745	23,471
Available-for-sale financial assets	*21*	–	100	9,330
Cash and cash equivalents	*22*	219	17,493	12,608
		10,449	46,597	98,906
Current liabilities				
Trade payables	*23*	5	7	200
Accrued liabilities and other payables	*24*	1,384	2,854	7,615
Deferred revenue	*25*	3,936	10,434	6,333
Amounts due to related parties	*26*	662	140	1,190
Income tax payables		2,396	8,740	22,944
		8,383	22,175	38,282
Net current assets		2,066	24,422	60,624
Total assets less current liabilities		4,165	30,939	69,579
Non-current liabilities				
Deferred tax liabilities	*16*	–	382	563
Net assets		4,165	30,557	69,016
EQUITY				
Equity attributable to owner of the Target Company				
Share capital	*27*	–	–	–
Reserves	*28*	4,165	30,557	69,016
Total equity		4,165	30,557	69,016

Statement of Financial Position

		As at 31 December 2013
	Notes	*RMB'000*
ASSET		
Current asset		
Amount due from a related party	*20*	–
Net assets		–
EQUITY		
Equity attributable to owner of the Target Company		
Share capital	*27*	–
Total equity		–

Combined Statements of Changes In Equity

	Share capital *RMB'000*	Merger reserve *RMB'000* *(Note 28(i))*	Investment revaluation reserve *RMB'000* *(Note 28(ii))*	Translation reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*
Transaction with owners						
Capital contribution from equity holders to a subsidiary	–	500	–	–	–	500
Profit for the period and total comprehensive income for the period	–	–	–	–	3,665	3,665
At 31 December 2011 and 1 January 2012	–	500	–	–	3,665	4,165
Transactions with owners						
Distribution of reserve	–	–	–	–	(10,000)	(10,000)
Capital contribution from equity holders to subsidiaries	–	10,000	–	–	–	10,000
	–	10,000	–	–	(10,000)	–
Comprehensive income						
Profit for the year	–	–	–	–	26,482	26,482
Other comprehensive income						
Exchange differences arising on translation of foreign operations	–	–	–	(90)	–	(90)
Total comprehensive income for the year	–	–	–	(90)	26,482	26,392
At 31 December 2012 and 1 January 2013	–	10,500	–	(90)	20,147	30,557
Transactions with owners						
Dividend declared *(Note 14)*	–	–	–	–	(19,948)	(19,948)
Capital contribution from equity holders to subsidiaries	–	500	–	–	–	500
	–	500	–	–	(19,948)	(19,448)
Comprehensive income						
Profit for the year	–	–	–	–	58,902	58,902
Other comprehensive income						
Change in fair value of available-for-sale financial assets	–	–	230	–	–	230
Exchange differences arising on translation of foreign operations	–	–	–	(1,225)	–	(1,225)
Total comprehensive income for the year	–	–	230	(1,225)	58,902	57,907
At 31 December 2013	–	11,000	230	(1,315)	59,101	69,016

Combined Statements of Cash Flows

	Notes	Period ended 31 December 2011 RMB'000	Years ended 31 December 2012 RMB'000	2013 RMB'000
Cash flows from operating activities				
Profit before income tax		5,077	33,253	73,998
Adjustments for:				
Bank interest income	*8*	(1)	(6)	(27)
Realised gain on disposal of available-for-sale financial assets	*8*	–	–	(49)
Depreciation of property, plant and equipment	*10*	73	1,343	2,490
Write-off of other receivables	*10*	–	–	300
Operating cash flows before working capital changes		5,149	34,590	76,712
Increase in trade receivables		–	(959)	(2,125)
Increase in prepayments, deposits and other receivables		(8)	(238)	(5,133)
Increase in amounts due from third party payment vendors		(2,152)	(7,902)	(35,280)
Increase in trade payables		5	2	193
Increase in accrued liabilities and other payables		1,384	1,470	4,761
Increase/(decrease) in deferred revenue		3,936	6,498	(4,101)
Cash generated from operations		8,314	33,461	35,027
Income tax paid		–	(95)	(403)
Net cash generated from operating activities		8,314	33,366	34,624
Cash flows from investing activities				
Interest received		1	6	27
Advances to related parties		(8,070)	(9,675)	(5,726)
Purchases of property, plant and equipment		(1,188)	(5,719)	(5,073)
Purchases of available-for-sale financial assets		–	(100)	(16,000)
Proceeds from disposals of available-for-sale financial assets		–	–	7,049
Increase in pledged bank deposit		–	–	(236)
Net cash used in investing activities		(9,257)	(15,488)	(19,959)

	Period ended 31 December 2011 *RMB'000*	Years ended 31 December 2012 *RMB'000*	2013 *RMB'000*
Cash flows from financing activities			
Capital contribution from equity holders to subsidiaries	500	10,000	500
Distribution of reserve	–	(10,000)	–
Repayments from/(advances to) related parties	662	(522)	1,050
Dividends paid	–	–	(19,948)
Net cash generated from/(used in) financing activities	1,162	(522)	(18,398)
Net increase/(decrease) in cash and cash equivalents	219	17,356	(3,733)
Cash and cash equivalents at beginning of period/year	–	219	17,493
Effect of foreign exchange rates, net	–	(82)	(1,152)
Cash and cash equivalents at end of period/year	219	17,493	12,608

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in the Samoa on 1 November 2013 as an exempted company with limited liability under the International Companies Act 1987 of Samoa. The address of the Target Company's registered office is Offshore Chambers, P.O. Box 217, Apia, Samoa. The principal place of business of the Target Company is Rooms 1501–2, Wilson House, 19–27 Wyndham Street, Central, Hong Kong.

The Target Company's principal activity is investment holding. The principal activities of the Target Company's subsidiaries are set out in Note 2 of Section II to the Financial Information.

2. GROUP REORGANISATION AND BASIS OF PRESENTATION

Pursuant to the Reorganisation carried out by the Target Group and completed on 31 January 2014 to rationalise the structure of the Target Group, the Target Company has become the holding company of the subsidiaries now comprising the Target Group. This was accomplished by the following steps:

(i) On 1 November 2013, the Target Company was incorporated in Samoa and issued and allotted one share at par to Offshore Incorporations (Samoa) Limited, which on 12 November 2013, transferred that 1 share held to Ms. Chen Ling ("**Ms. Chen**"), a director of the Target Company.

(ii) On 26 December 2013, Something Big Technology Company Limited ("**HKSBT**") set up 帝覺(上海)網絡科技有限公司 ("**PrimeVision**") in the People's Republic of China (the "**PRC**") with paid-up capital of US dollar ("**USD**") 110,000.

(iii) On 15 January 2014, 300 shares in HKSBT were transferred from Ms. Chen to the Target Company at Hong Kong dollar ("**HK$**") 1. HKSBT became the wholly owned subsidiary of the Target Company.

(iv) On 21 January 2014, 100% equity interests in 上海顛視數碼科技有限公司 ("**Shanghai SBT**"), all of which were previously held by Mr. Lu Le ("**Mr. Lu**") and Mr. Mao Yiqing ("**Mr. Mao**") in total on behalf of Ms. Chen under trust agreements (the "**Trust**"), were transferred at consideration of Reminbi ("**RMB**") 1,000,000 to 上海頑迦網絡科技有限公司 ("**Shanghai Wanjia**"), the equity interests of which were also held by Mr. Lu and Mr. Mao on behalf of Ms. Chen under the Trust. Shanghai SBT became the wholly owned subsidiary of Shanghai Wanjia.

(v) On 31 January 2014, the Trust amongst Ms. Chen, Mr. Lu and Mr. Mao were cancelled and PrimeVision entered into a series of contractual arrangements with Shanghai Wanjia and its respective equity holders, which enable PrimeVision to:

– exercise effective financial and operational control over Shanghai Wanjia;

– exercise equity holders' voting right of Shanghai Wanjia;

– receive substantially all of the economic interest returns generated by Shanghai Wanjia in consideration for the technical and management consulting services provided by PrimeVision;

– obtain an irrevocable and exclusive option right to purchase all or part of equity interests in Shanghai Wanjia at an aggregate consideration of RMB1 for each option or minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Shanghai Wanjia at an aggregate consideration of RMB1 for each option or minimum purchase price permitted under PRC laws and regulations. PrimeVision may exercise such options at any time until it has acquired all equity interests and/or all assets of Shanghai Wanjia; and

– obtain a pledge over the entire equity interest of Shanghai Wanjia from its respective equity holders as collateral security to secure the performance of Shanghai Wanjia's obligations under the contractual arrangements.

The Target Company does not have any equity interest in Shanghai Wanjia. However, as a result of the effective execution of contractual arrangements, the Target Company has rights to variable returns from its involvement with Shanghai Wanjia and has the ability to affect those returns through its power over Shanghai Wanjia and is considered to control Shanghai Wanjia indirectly through PrimeVision.

Upon completion of the above steps and as at the reporting date, the Target Company had direct and indirect interests in the following principal subsidiaries:

Name	Country/ Place/Date of incorporation/ establishment/ operation	Effective interest held by the Target Company	Principal activities	Name of the auditors in the Relevant Periods
Interest held directly				
HKSBT	Hong Kong/ 2 February 2012	100%	Development, distribution, operation and marketing of mobile-online games	For the period from 2 February 2012 to 31 August 2013: Roger Kam & Co. Certified Public Accountant (Practising)
Interests held indirectly				
PrimeVision*	The PRC/ 26 December 2013	100%	Development of mobile-online games and provision of technical and consulting services	Not applicable
Shanghai Wanjia	The PRC/ 7 July 2012	100%	Development, distribution and operation of mobile-online games	For the year ended 31 December 2013: 上海錦潤會計師事務所有限公司 For the period from 7 July 2012 to 31 December 2012: 上海宏華會計事務所有限公司
Shanghai SBT	The PRC/ 30 January 2011	100%	Design and development of mobile-online games	For the year ended 31 December 2013: 上海錦潤會計師事務所有限公司 For the year ended 31 December 2012: 上海宏華會計事務所有限公司 For the Period ended 31 December 2011: None

Name	Country/ Place/Date of incorporation/ establishment/ operation	Effective interest held by the Target Company	Principal activities	Name of the auditors in the Relevant Periods
Ample Luck Capital Limited*	Samoa/ 21 November 2013	100%	Dormant	Not applicable
Dawn Star Investments Limited*	Samoa/ 22 October 2013	100%	Dormant	Not applicable
Silver Fort Global Limited*	Samoa/ 1 November 2013	100%	Dormant	Not applicable
Elite Mind Holdings Limited*	Samoa/ 30 October 2013	100%	Dormant	Not applicable
Keylink Ventures Limited*	Samoa/ 28 October 2013	100%	Dormant	Not applicable
Sinojoy Investments Limited*	Samoa/ 14 November 2013	100%	Dormant	Not applicable
Treasure Clear Investments Limited*	Samoa/ 30 October 2013	100%	Dormant	Not applicable

* No statutory financial statements have been prepared for these companies because they were either newly incorporated/established and/or without any significant business transaction.

The Target Group is regarded as a continuing entity resulting from the Reorganisation since the companies/businesses which took part in the Reorganisation were under the common control of the same equity holder, before and after the Reorganisation or incorporated by the Target Group for the purpose of the Reorganisation, and the control is not transitory. Consequently, immediately after the Reorganisation, there was a continuation of the risks and benefits to the ultimate controlling party that existed prior to the Reorganisation. The Financial Information has therefore been prepared using the principles of merger accounting as if the current group structure had been in existence throughout the years. Accordingly, the results and cash flows of the Target Group for the years include the results and cash flows of the subsidiaries from the earliest date presented or their respective dates of incorporation/establishment, where this is a shorter period. The combined statements of financial position as at each reporting date are a combination of the statements of financial position of the subsidiaries at the reporting date using their existing book values.

3. BASIS OF PREPARATION

The Financial Information has been prepared in accordance with the accounting policies in note 5 which conform with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The Financial Information has been prepared under historical cost basis except for available-for-sale financial assets which are measured at fair values. The measurement bases are fully described in the accounting policies below.

The amounts shown for the combined statements of comprehensive income, combined statements of cash flows and combined statements of changes in equity and related notes for the period from

30 January 2011 (date of incorporation of Shanghai SBT, which is the earliest incorporated subsidiary of the Target Group) to 31 December 2011 cover less than twelve months and therefore may not be comparable with amounts shown for each of the two years ended 31 December 2012 and 2013.

4. IMPACT OF ISSUED BUT NOT YET EFFECTIVE HKFRSS

At the date of this report, the HKICPA has issued the following new or amended HKFRSs that have been issued but are not yet effective and are potentially relevant to the Target Group, and have not been adopted early by the Target Group.

HKFRS 9	Financial Instruments[3]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010–2012 Cycle and HKFRSs 2011–2013 Cycle[2]
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions[2]
Amendments to HKAS 32	Presentation: Offsetting Financial Assets and Financial Liabilities[1]
Amendments to HKAS 36	Impairment of Assets: Recoverable Amount Disclosures for Non-Financial Assets[1]
Amendments to HKAS 39	Recognition and Measurement: Novation of Derivatives and Continuation of Hedge Accounting[1]
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting[3]
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities[1]
HKFRIC – Interpretation 21	Levies[1]

1 Effective for annual periods beginning on or after 1 January 2014
2 Effective for annual periods beginning on or after 1 July 2014
3 No mandatory effective date yet determined but is available for adoption

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Target Group' s results of operations and financial position.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Basis of combination

The Financial Information incorporates the financial statements of the Target Company and its subsidiaries. All significant intra-group balances and transactions within the Target Group are eliminated on combination in full. Unrealised losses are also eliminated unless the transactions provide evidence of an impairment of the asset transferred.

5.2 Subsidiaries

A subsidiary is an investee over which the Target Company is able to exercise control. The Target Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

5.3 Foreign currency translation

Transactions entered into by the Target Group's entities in currencies other than the currency of the primary economic environment in which they operate (the "**functional currency**") are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

On combination, income and expense items of foreign operations are translated into the presentation currency of the Target Group (i.e. RMB) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve. Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Target Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

The functional currency of the Target Company is HK$. The financial statements are presented in RMB, which is the functional currency of the principal subsidiaries of the Target Group whose operations are principally conducted in the PRC.

5.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to the working conditions and location for its intended use.

Depreciation is calculated on straight-line method to write off the cost of property, plant and equipment, less any estimated residual values, over the following estimated useful lives:

Leasehold improvements	The shorter of the lease terms and 5 years
Furniture and fixture	3–5 years
Office equipment	3–5 years
Computer equipment	2–3 years

The assets' estimated residual values, depreciation methods and estimated useful lives are reviewed, and adjusted if appropriate, at the reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the period in which they are incurred.

5.5 Research and development costs

Expenditure on internally developed products is capitalised if it can be demonstrated that:

– it is technically feasible to develop the product for it to be sold;

– adequate resources are available to complete the development;

– there is an intention to complete and sell the product;

– the Target Group is able to sell the product;

– sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Capitalised development costs are amortised over the periods the Target Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

5.6 Impairment of other assets

At the end of each reporting period, the Target Group reviews the carrying amounts of property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

5.7 Financial assets

The Target Group's financial assets included trade receivables, deposits and other receivables, amounts due from third party payment vendors, amounts due from related parties, available-for-sale financial assets, pledged bank deposit and cash and cash equivalents.

All financial assets are recognised when, and only when, the Target Group becomes a party to the contractual provisions of the instrument. All regular way purchases and sales of financial assets are recognised on trade date. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace. When financial assets are recognised initially, they are measured at fair value, plus directly attributable transaction costs.

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

Financial assets of the Target Group are classified into loans and receivables and available-for-sale financial assets.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary asset. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Available-for-sale financial assets

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets. Subsequent to initial recognition, these assets are carried at fair value with changes in fair value recognised in other comprehensive income, except for impairment losses and foreign exchange gains and losses on monetary instruments, which are recognised in profit or loss. Derecognition of financial assets occurs when the rights to receive cash flows from the receivables/investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

Gains and losses are recognised in profit or loss when financial assets are derecognised or impaired as well as through the amortisation process.

Impairment of financial assets

The Target Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– granting concession to a debtor because of debtor's financial difficulty;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

(a) For loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial assets.

If, in subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(b) For available-for-sale financial assets

Where a decline in the fair value of an available-for-sale financial assets has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

5.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

5.9 Financial liabilities

The Target Group's financial liabilities include trade payables, accrued liabilities and other payables and amounts due to related parties.

Financial liabilities are recognised when the Target Group becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in profit or loss.

The financial liabilities of the Target Group are recognised initially at their fair value and subsequently measured at amortised cost, using effective interest method.

5.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Target Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating lease.

Where the Target Group has the right to use of assets held under operating leases, payments made under the operating leases are charged to profit or loss on straight-line method over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rental are charged to profit or loss in the accounting period in which they are incurred.

5.11 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reasonably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

5.12 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

5.13 Revenue recognition

The Target Group's revenue is primarily derived from the sales of in-game virtual items in its game development operations ("**Game Development**") through cooperation with various third-party game distribution platforms and payment vendors. These game distribution platforms include major online application stores and web-based and mobile game portals in certain countries and regions (collectively referred to as "**Platforms**"). Revenue is measured at the fair value of the consideration received or receivable.

In cooperation with the Platforms, the Target Group is responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities. Platforms are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections related to the games.

The Target Group's games are free to play and players can purchase virtual items for better in-game experience. Players purchase the Target Group's game points for further acquisition of virtual items ("**Paying Players**") through Platforms' own charging systems or their accounts maintained with third party payment vendors. Platforms and third party payment vendors collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Target Group and Platforms or third party payment vendors.

Upon the sales of virtual items, the Target Group typically has an implied obligation to provide the services which enable the virtual items to be displayed and used in the respective games. As a result, the proceeds received from sales of virtual items are initially recorded as deferred revenue. The attributable portion of the deferred revenue relating to values of the virtual items consumed are immediately or ratably recognised as revenue only when the services are rendered to the respective Paying Players.

For the purposes of determining when services have been provided to the respective Paying Players, the Target Group has determined the following:

– Consumable virtual items represent items that are extinguished after consumption by a specific game player action. The Paying Players will not continue to benefit from the virtual items thereafter. Revenue is recognised (as a release from deferred revenue) when the items are consumed and the related services are rendered.

– Durable virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised ratably over the average life of durable virtual items for the applicable game, which the Target Group makes best estimates to the average playing period of Paying Players ("**Player Relationship Period**").

The Target Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, the target Group estimates the Player Relationship Period based on other similar types of games developed by the Target Group or by third-party developers until the new game establishes its own patterns and history. The Target Group considers the games profile, target audience, and its appeal to players of different demographic groups in estimating the Player Relationship Period.

If the Target Group does not have the ability to differentiate revenue attributable to durable virtual items from consumable virtual items for a specific game, the Target Group recognises revenue from both durable and consumable virtual items for that game ratably over the Player Relationship Period.

The Target Group has evaluated the roles and responsibilities of the Target Group and Platforms or third party payment vendors in the delivery of game experience to the Paying Players and concluded the Target Group takes the primary responsibilities in rendering services. The Target Group is determined to be the primary obligor. However, the Target Group operates across a large number of Platforms, some of which offer various marketing discounts from time to time to Paying Players. The actual prices paid by individual paying players may be lower than the standard prices of virtual items purchased with the balance being subsidised by the Platforms and such marketing discounts are neither available to be tracked reliably nor borne by the Target Group. As such, for revenue earned through certain platforms of which the Target Group is not able to make a reasonable estimate of the gross revenue (i.e., the actual prices paid by the Paying Players), the Target Group reports a net revenue to the extent of the amounts received and receivable from the Platforms under revenue sharing arrangement when the services are rendered.

For revenue earned through other platforms, the Target Group recognises revenue on a gross basis, and commission charges by Platforms or third party payment vendors are recorded as cost of revenue.

Interest income is recognised as interest accrues (using effective interest method).

5.14 Retirement benefit costs and short term employee benefits

Defined contribution plan

The Target Group operates a defined contribution retirement benefit scheme ("**MPF Scheme**") under the Mandatory Provident Fund Scheme Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employee's basic salaries.

The employees of the Target Group's subsidiaries which operate in the PRC are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme.

The contributions are charged to profit or loss as they become payable in accordance with the rules of the respective plan or schemes.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting dates.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

5.15 Accounting for income taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Target Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

5.16 Related parties

(a) A person or a close member of that person's family is related to the Target Group if that person:

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of key management personnel of the Target Group or the Target Company's parent.

(b) An entity is related to the Target Group if any of the following conditions apply:

(i) The entity and the Target Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of the employees of the Target Group or an entity related to the Target Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

(i) that person's children and spouse or domestic partner;

(ii) children of that person's spouse or domestic partner; and

(iii) dependents of that person or that person's spouse or domestic partner.

6. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Target Group's accounting policies, the director of the Target Company is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

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

(i) Critical judgments in applying accounting policies

(a) Estimates of the Player Relationship Period in the Target Group's Game Development

As described in Note 5.13, the Target Group recognises revenue from durable virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is based on the Target Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

(b) Impairment of receivables

The Target Group's management determines the provision for impairment of receivables. This estimate is based on the evaluation of collectability and ageing analysis of receivables and on management's judgment. A considerable amount of judgment is required in assessing the expected timing of collection and ultimate realisation of these receivables, including credit worthiness and collection history of each customer and other debtors. Management will reassess the provision at the end of each of the reporting period. If the financial conditions of the customers or debtors of the Target Group deteriorate thus resulting in impairment as to their ability to make payment, additional allowances may be required.

(c) Fair value measurement

A number of assets included in the Target Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Target Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "**fair value hierarchy**"):

– Level 1: Quoted prices in active markets for identical items (unadjusted);

– Level 2: Observable direct or indirect inputs other than Level 1 inputs;

– Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Target Group measures available-for-sale financial assets at fair value.

For more detailed information in relation to the fair value measurement of it, please refer to note 31(e).

(d) Impairment of available-for-sale financial assets

For available-for-sale financial assets, a significant or prolonged decline in fair value below cost is considered to be objective evidence of impairment. Judgement is required when determining whether a decline in fair value has been significant or prolonged. In making this judgement, the historical data on market volatility as well as the price of the specific investment are taken into account. The Target Group also takes into account other factors, such as industry and sector performance and financial information regarding the issuer/investee.

(ii) Key sources of estimation uncertainty

Current and deferred income taxes

The Target Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Target Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

7. REVENUE AND SEGMENT INFORMATION

Revenue, which is also the Target Group's turnover, represents the income from development and operation of mobile games. An analysis of the Target Group's revenue is as follows:

	Period ended 31 December	Years ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Revenue			
Development and operations of mobile games	11,779	58,983	111,549

The director of the Target Company considers the Target Group's operations are operated and managed as a single segment; accordingly no segment information is presented.

The Target Group offers their games in various language versions in order to enable game players to play the games in different locations. A breakdown of revenue derived from different language versions of the Target Group's games during the Relevant Periods is as follows:

	Period ended 31 December	Years ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Chinese	11,779	58,327	97,534
Other languages	–	656	14,015
	11,779	58,983	111,549

The Target Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Target Group's revenue during the Relevant Periods.

As at 31 December 2011, 2012 and 2013, majority of the non-current assets of the Target Group were located in the PRC.

8. OTHER INCOME

	Period ended 31 December 2011 RMB'000	Years ended 31 December 2012 RMB'000	2013 RMB'000
Other income			
Government grants*	–	64	132
Realised gain on disposal of available-for-sale financial assets	–	–	49
Interest income on bank balances stated at amortised cost	1	6	27
	1	70	208

* The Target Group received unconditional discretionary grants from the relevant PRC government authorities in support of enterprise in Hongkou region of Shanghai City, the PRC.

9. STAFF COSTS INCLUDING DIRECTOR'S EMOLUMENTS

	Period ended 31 December 2011 RMB'000	Years ended 31 December 2012 RMB'000	2013 RMB'000
Salaries, allowances and other benefits in kind	835	4,211	10,192
Pension scheme contributions	81	542	1,061
	916	4,753	11,253

10. PROFIT BEFORE INCOME TAX

	Period ended 31 December 2011 RMB'000	Years ended 31 December 2012 RMB'000	2013 RMB'000
Profit before income tax is arrived at after charging:			
Auditors' remuneration	–	9	98
Depreciation of property, plant and equipment*	73	1,343	2,490
Net foreign exchange loss	30	394	602
Write-off of other receivables^	–	–	300
Research and development costs	479	3,269	6,902
Operating lease charges in respect of leasehold buildings	160	1,520	1,659

* Depreciation charges have been included in:

	Period ended 31 December 2011 RMB'000	Years ended 31 December 2012 RMB'000	2013 RMB'000
Cost of sales	25	813	1,674
Selling and distribution expenses	1	11	15
Administrative expenses	47	519	801
	73	1,343	2,490

^ Write-off of other receivables is included in administrative expenses.

11. INCOME TAX EXPENSE

	Period ended 31 December 2011 RMB'000	Years ended 31 December 2012 RMB'000	2013 RMB'000
Current tax – Hong Kong			
– Tax for the period/year	–	3,024	6,504
Current tax – PRC			
– Tax for the period/years	2,396	3,414	8,026
– Under provision in respect of prior period/year	–	1	77
	2,396	3,415	8,103
Deferred tax *(note 16)*	(984)	332	489
	1,412	6,771	15,096

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the Relevant Periods.

The income tax provision of the Target Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof.

Pursuant to the relevant law and regulation in the PRC, Shanghai SBT qualified as a Software Enterprise in 2013, and will be entitled to exemption from PRC enterprise income tax ("**EIT**") for two years commencing from its first profit-making year of operation, followed by a 50% reduction in the applicable tax rate for the next three years on the condition that the written approval from the relevant government authorities is obtained. Shanghai SBT obtained the written approval from government authorities on 3 April 2014. The Target Group still applied the tax rate of 25% to accrue for the EIT of Shanghai SBT over the Relevant Periods for the preparation of this report.

Pursuant to the relevant law and regulation in the PRC, Shanghai Wanjia qualified as a Software Enterprise in 2013, and will be entitled to exemption from EIT for two years commencing from its first profit-making year of operation, followed by a 50% reduction in the applicable tax rate for the next three years on the condition that the written approval from the relevant government authorities is obtained. Shanghai Wanjia obtained the written approval from government authorities on 24 April 2014. The Target Group still applied the tax rate of 25% for the EIT of Shanghai Wanjia over the Relevant Periods for the preparation of this report.

Pursuant to the rules and regulations of the Samoa, the Target Group is not subject to any taxation under this jurisdiction during the Relevant Periods.

A reconciliation of income tax expense and accounting profit at applicable tax rate is as follows:

	Period ended 31 December 2011	**Years ended 31 December 2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Profit before income tax	5,077	33,253	73,998
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	1,269	6,558	15,048
Effect of non-taxable and non-deductible items, net	150	265	117
Tax losses not recognised	–	4	–
Under provision in respect of prior period/year	–	1	77
Utilisation of unrecognised tax losses	–	–	(4)
Others	(7)	(57)	(142)
Income tax expense	1,412	6,771	15,096

12. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this report, is not considered meaningful due to the Reorganisation, and the presentation of the results of the Target Group for the Relevant Periods on a combined basis as disclosed in note 2 above.

13. DIRECTOR'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

(a) Director's emoluments

Director's emoluments disclosed pursuant to the GEM Listing Rules and Section 161 of the Hong Kong Companies Ordinance, are as follows:

	Period ended 31 December 2011			
	Fees	**Salaries, allowances and other benefits in kind**	**Pension scheme contributions**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director				
Ms. Chen	–	–	–	–

	Year ended 31 December 2012			
	Fees	Salaries, allowances and other benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director				
Ms. Chen	–	–	–	–

	Year ended 31 December 2013			
	Fees	Salaries, allowances and other benefits in kind	Pension scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Executive director				
Ms. Chen	–	–	–	–

There was no arrangement under which the director waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

The emoluments payable to five highest paid individuals for period ended 31 December 2011 and each of the two years ended 31 December 2012 and 2013 respectively are as follows:

	Period ended 31 December	Years ended 31 December	
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowances and other benefits in kind	202	1,173	1,608
Pension scheme contributions	18	34	51
	220	1,207	1,659

The number of highest paid individuals whose emoluments fell within the bands is as follows:

	Period ended 31 December	Years ended 31 December	
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Nil to HK$1,000,000 (approximately Nil to RMB781,000)	5	5	5

(c) Emoluments to senior management

The number of members of senior management to whose emoluments paid or payable is within the following bands:

	Period ended 31 December	Years ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Nil to HK$1,000,000 (approximately Nil to RMB781,000)	5	5	5

(d) During the Relevant Periods, no emolument was paid by the Target Group to the director and the five highest paid individuals as an inducement to join or upon joining the Target Group, or as compensation for loss of office.

14. DIVIDENDS

No dividends have been paid or declared by the Target Company from its date of incorporation to 31 December 2013. The dividends proposed by HKSBT to its then equity holder during the Relevant Periods is summarised as follows:

	Period ended 31 December	Years ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Dividend approved and recognised during the period/year	–	–	19,948

The rates for dividends and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

On 27 January 2014, dividend of RMB8,325,000 was approved and declared at extra-ordinary meeting of Shanghai Wanjia.

On 28 January 2014, dividends of HK$11,530,000 and RMB3,800,000 were approved and declared at extra-ordinary meetings of the Target Company and Shanghai Wanjia respectively.

On 1 April 2014, dividend of HK$26,000,000 was approved and declared at extra-ordinary meeting of the Target Company.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture and fixture	Office equipment	Computer equipment	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Period ended 31 December 2011					
Additions	–	–	70	1,118	1,188
Depreciation	–	–	(7)	(66)	(73)
Closing net book amount	–	–	63	1,052	1,115
At 31 December 2011 and 1 January 2012					
Cost	–	–	70	1,118	1,188
Accumulated depreciation	–	–	(7)	(66)	(73)
Net book amount	–	–	63	1,052	1,115
Year ended 31 December 2012					
Opening net book amount	–	–	63	1,052	1,115
Additions	–	31	860	4,828	5,719
Depreciation	–	(5)	(125)	(1,213)	(1,343)
Exchange realignment	–	–	–	(8)	(8)
Closing net book amount	–	26	798	4,659	5,483
At 31 December 2012 and 1 January 2013					
Cost	–	31	930	5,946	6,907
Accumulated depreciation	–	(5)	(132)	(1,287)	(1,424)
Net book amount	–	26	798	4,659	5,483
Year ended 31 December 2013					
Opening net book amount	–	26	798	4,659	5,483
Additions	1,580	867	235	2,391	5,073
Depreciation	–	(13)	(329)	(2,148)	(2,490)
Exchange realignment	–	–	(1)	(87)	(88)
Closing net book amount	1,580	880	703	4,815	7,978
At 31 December 2013					
Cost	1,580	898	1,165	8,337	11,980
Accumulated depreciation	–	(18)	(462)	(3,522)	(4,002)
Net book amount	1,580	880	703	4,815	7,978

16. DEFERRED TAX

Movement of deferred tax assets is as follows:

	Deferred revenue and prepaid commission charges As at 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
At beginning of period/year	–	984	1,034
Credited/(charged) to profit or loss	984	50	(293)
At end of period/year	984	1,034	741

Movement of deferred tax liabilities is as follows:

	Accelerated tax depreciation As at 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
At beginning of period/year	–	–	382
Charged to profit or loss	–	382	196
Exchange realignment	–	–	(15)
At end of period/year	–	382	563

The Target Group has unused tax losses of approximately nil, RMB16,000 and nil available for offsetting against future taxable profits as at 31 December 2011, 2012 and 2013 respectively.

17. TRADE RECEIVABLES

Trade receivables were arose from the development and operation of mobile games. The Target Group has granted a credit term of 30 days to 60 days (from the invoice date) to the Platforms and third party payment vendors.

Ageing analysis of trade receivables as at the end of each of the Relevant Periods is as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
0 – 60 days	–	940	3,080
61 – 90 days	–	19	4
	–	959	3,084

At the reporting dates, the Target Group reviews receivables for evidence of impairment on both an individual and collective basis.

Ageing analysis of trade receivables that were past due but not considered impaired is as follows:

	As at 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Neither past due nor impaired	–	940	3,080
Not more than 3 months past due	–	19	4
	–	959	3,084

Receivables which were neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired related to a number of independent Platforms and third party payment vendors which the Target Group had not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the Target Group consider that these overdue amounts can be recovered. The Target Group does not hold any collateral over these balances.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		
	2011	2012	2013
	RMB'000	*RMB'000*	*RMB'000*
Prepayments	–	25	60
Deposits	5	143	891
Other receivables	3	78	4,128
	8	246	5,079

19. AMOUNTS DUE FROM THIRD PARTY PAYMENT VENDORS

The amount represented the balance of the Target Group's account maintained with third party agents, which were interest-free and could be withdrawn at any time at the Target Group's discretion.

20. AMOUNTS DUE FROM RELATED PARTIES

The Target Group

	At 30 January 2011	Maximum amount outstanding during period ended 31 December 2011	At 31 December 2011
	RMB'000	*RMB'000*	*RMB'000*
Amount due from a director of subsidiaries			
Mr. Mao	–	8,070	8,070

	At 1 January 2012 *RMB'000*	Maximum amount outstanding during year ended 31 December 2012 *RMB'000*	At 31 December 2012 *RMB'000*
Amount due from a director of subsidiaries			
Mr. Mao	8,070	19,840	17,745

	At 1 January 2013 *RMB'000*	Maximum amount outstanding during year ended 31 December 2013 *RMB'000*	At 31 December 2013 *RMB'000*
Amounts due from directors of subsidiaries			
Mr. Mao	17,745	22,999	22,999
Mr. Lu	–	472	472
Ms. Chen	–	–	–
	17,745		23,471

The amounts due from related parties are unsecured, interest-free and repayable on demand.

The Target Company

	At 1 November 2013 (date of incorporation) *RMB'000*	Maximum amount outstanding during period from 1 November 2013 to 31 December 2013 *RMB'000*	At 31 December 2013 *RMB'000*
Amount due from a director of the Target Company			
Ms. Chen	–	–	–

The amount due from a related party is unsecured, interest-free and repayable on demand.

21. AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets are RMB-dominated financial products with floating rate of return ranging from 3.3% to 4.6% without fixed maturity dates offered by bank in the PRC. No impairment loss was recognised during the Relevant Periods.

Reclassification adjustment of other comprehensive income is as below:

	Period ended 31 December 2011	**Years ended 31 December 2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Available-for-sale financial assets			
Changes in fair value recognised during the period/year	–	–	279
Reclassification adjustment for amounts transferred to profit or loss – Gain on disposal *(Note 8)*	–	–	(49)
Net movement in the investment revaluation reserve during the period/year recognised in other comprehensive income	–	–	230

22. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSIT

The Target Group had cash and bank balances denominated in RMB amounting to approximately RMB217,000, RMB11,575,000 and RMB2,848,000 as at 31 December 2011, 2012 and 2013, which were deposited with the banks in the PRC. RMB is not freely convertible into other currencies. Under the PRC Foreign Exchange Control Regulations and Administration of Settlement, and Sales and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for foreign currencies through the banks that are authorised to conduct foreign exchange business.

As at 31 December 2013, bank deposit of RMB236,000 with a maturity date over one year was pledged as a security for the Target Group's credit and banking facilities and earned interest at deposit rate of 0.2% per annum. The remaining bank balances earn interest at floating rates based on daily bank deposit rates during the Relevant Periods.

23. TRADE PAYABLES

Trade payables are non-interesting bearing and are normally settled on 30 to 90 days terms.

Ageing analysis of trade payables as at the end of each of the Relevant Periods is as follows:

	As at 31 December 2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
0 – 90 days	–	5	193
Over 90 days	5	2	7
	5	7	200

24. ACCRUED LIABILITIES AND OTHER PAYABLES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Accrued liabilities	887	472	2,296
Other payables	42	1,449	3,012
Value-added tax and other taxes payables	455	933	2,307
	1,384	2,854	7,615

25. DEFERRED REVENUE

Deferred revenue represented service fee prepaid by the game players for the Target Group's mobile games in the forms of prepaid game points and virtual items, for which the service had not been rendered as at December 2011, 2012 and 2013.

26. AMOUNTS DUE TO RELATED PARTIES

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Amount due to a director of subsidiaries			
Mr. Lu	–	66	–
Amount due to a related company			
上海琿賢廣告有限公司 ("**Shanghai FY**") *(Note)*	662	74	1,190
	662	140	1,190

Note:

Mr. Mao and Mr. Lu, the directors of the subsidiaries of Target Company, each holds 50% equity interests in Shanghai FY.

The amounts due to related parties are unsecured, interest-free and repayable on demand.

27. SHARE CAPITAL

	Number of shares	Amount
		RMB'000
Ordinary shares of USD 1 each:		
Authorised, issued and fully paid:		
Upon incorporation and at 31 December 2013	1	–

The share capital balance as presented in the combined statements of financial position as at 31 December 2011 and 2012 represented the issued and paid-up share capital of the Target Company, which was deemed to have been in issue before the Reorganisation was carried out.

Pursuant to a board resolution dated 8 January 2014, the Target Company issued additional 99 ordinary shares to Ms. Chen at USD1 each.

28. RESERVES

Details of the movements on the Target Group's reserves are presented in the combined statements of changes in equity.

(i) Merger reserve

The merger reserve of the Target Group represents the difference between the nominal value of the combined capital of the Target Group and the nominal value of the Target Company's shares issued.

(ii) Investment revaluation reserve

The investment revaluation reserve of the Target Group represents changes in fair value of available-for-sale financial assets.

29. OPERATING LEASE COMMITMENTS

As a lessee

The total future minimum lease payments under non-cancellable operating leases are falling due as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Within one year	43	180	789

The Target Group leases a number of properties under operating lease. The properties under operating leases have an initial non-cancellable period of one year, with an option to renew the lease and renegotiate the terms at the expiry date or at dates as mutually agreed between the Target Group and respective lessors. None of the leases include contingent rentals.

30. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in these Financial Information, the following transactions were carried out by the Target Group with related parties during the Relevant Periods.

(i) Significant related party transactions

	Period ended 31 December	**Years ended 31 December**	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Shanghai FY			
– Consultancy service fee	314	412	236

Note:

Services rendered by the related company were made according to the terms of the agreements.

(ii) Key management personnel compensation

Key management includes the director and other members of key management of the Target Group. The compensation paid or payable to key management personnel is shown in Note 13.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Target Group is exposed to a variety of financial risks through its use of financial instruments in its ordinary course of operations. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Target Group does not have written risk management policies. However, the director meets regularly and co-operates closely with key management to identify and evaluate risks and to formulate strategies to manage financial risks. The Target Group has not used any derivatives or other instruments for hedging purposes and has not hold or issue derivative financial instruments for trading purposes. The most significant risks to which the Target Group is exposed to are described below.

(a) Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of the changes in market interest rates. The Target Group's bank deposits were bearing floating interest rate. Exposure to floating interest rate exists when there are unexpected adverse interest rate movements. The Target Group's policy is to manage its interest rate risk, working within an agreed framework, to ensure that there are no undue exposures to significant interest rate movements and rates are approximately fixed when necessary.

The interest rates of interest-bearing financial assets of the Target Group are disclosed in note 22. The following table illustrates the sensitivity of profit after tax for the years to a reasonably possible change in interest rates of 0.5%, with effect from the beginning of the years. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Target Group's floating rate financial instruments held at the end of each of the years. All other variables are held constant. There is no impact on other components of combined equity in response to the possible change in interest rates.

	Period ended 31 December		Years ended 31 December			
	2011		2012		2013	
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	+0.5%	–0.5%	+0.5%	–0.5%	+0.5%	–0.5%
Increase/(decrease) in profit after tax for the period/year and retained profits	1	(1)	87	(87)	64	(64)

(b) Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Target Group. The Target Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its business and the advances to related parties.

The Target Group continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporate this information into its credit risk controls. The Target Group's policy is to deal only with creditworthy counterparties.

The Target Group's management considers that all the financial assets that are not impaired for each of the reporting dates under review are of good credit quality, including those that are past due.

None of the Target Group's financial assets are secured by collateral or other credit enhancement.

In respect of receivables which were due from the Platforms and third party payment vendors in co-operation with the Target Group (the "**Game Development receivables**"), their recoverability might be adversely affected if the strategic relationship with Platforms and third party payment vendors is terminated or scaled-back; or if the Platforms and third party payment vendors alter the co-operative arrangements; or if they experience financial difficulties in paying the Group. To manage this risk, the Target Group maintains frequent communications with Platforms and third party payment vendors to ensure the effective credit control. In view of the history of co-operation with Platforms and third party payment vendors and the sound collection history of receivables due from them, the director of the Target Company believes the credit risk inherent in the Target Group's outstanding Game Development receivables is low.

In respect of receivables other than Game Development receivables, the Target Group is not exposed to any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. In respects of bank balances, the Target Group has deposits in banks of approximately RMB217,000, RMB17,478,000 and RMB12,488,000 as at 31 December 2011, 2012 and 2013. In respects of available-for-sale financial assets, the Target Group has entered into contracts with banks. The credit risk for cash at banks and available-for-sale financial assets are considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

(c) Foreign currency risk

Foreign currency risk refers to risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Target Group mainly operates in Hong Kong and the PRC. The functional currency of the Target Company and its subsidiaries are mainly HK$ and RMB with certain of their business transactions (e.g. sales and purchases) being settled in other currencies. The Target Group is exposed to currency risk arising from fluctuations on foreign currencies, primarily HK$, USD and Japanese Yen ("**JPY**"), against the functional currency of the Target Group entities.

Foreign currency risk exposure

The carrying amounts of the Target Group entities' foreign currency denominated financial assets and financial liabilities at the reporting dates are as follows:

	As at 31 December 2012		
	HK$	**USD**	**JPY**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Trade receivables	–	30	2
Amounts due from third party payment vendors	–	565	33
Amount due from a Target Group company	1,756	–	–
Cash and cash equivalents	–	259	2
	1,756	854	37

	As at 31 December 2013		
	HK$	**USD**	**JPY**
	RMB'000	*RMB'000*	*RMB'000*
Assets			
Trade receivables	–	1,192	1,293
Amounts due from third party payment vendors	–	3,759	465
Amount due from a Target Group company	4,264	–	–
Cash and cash equivalents	–	1,346	2,381
	4,264	6,297	4,139
Liabilities			
Trade payables	–	192	–
Accrued liabilities and other payables	–	197	–
	–	389	–

The following table illustrates the sensitivity of the Target Group's profit after tax for the years and equity in regards to a 1% appreciation in the Target Group entities' functional currencies against HK$, USD and JPY. The rate is used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates. There is no impact on other components of combined equity in response to the general fluctuation in the following foreign currency rates.

The sensitivity analysis of the Target Group's exposure to foreign currency risk at the reporting date has been determined based on the assumed percentage changes in foreign currency exchange rates taking place at the beginning of the financial year with all other variables held constant throughout the year.

	Period ended 31 December		Years ended 31 December			
	2011		2012		2013	
	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained earnings
		RMB'000		*RMB'000*		*RMB'000*
HK$	1%	–	1%	18	1%	43
HK$	(1%)	–	(1%)	(18)	(1%)	(43)
USD	1%	–	1%	9	1%	59
USD	(1%)	–	(1%)	(9)	(1%)	(59)
JPY	1%	–	1%	–	1%	41
JPY	(1%)	–	(1%)	–	(1%)	(41)

(d) Liquidity risk

Liquidity risk relates to the risk that the Target Group will not be able to meet its obligations associated with its financial liabilities. The Target Group is exposed to liquidity risk in respect of settlement of trade payables and its financing obligations, and also in respect of its cash flow management. The cash management of all operating entities is centralised, including the raising of funds to cover expected cash demands. The Target Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer terms.

The table below analyses the Target Group's financial liabilities based on the remaining contractual maturity date.

	Carrying amount	Within one year or on demand	Total contractual undiscounted cash flows
	RMB'000	*RMB'000*	*RMB'000*
At 31 December 2011			
– Trade payables	5	5	5
– Accrued liabilities and other payables	929	929	929
– Amounts due to related parties	662	662	662
	1,596	1,596	1,596
At 31 December 2012			
– Trade payables	7	7	7
– Accrued liabilities and other payables	1,921	1,921	1,921
– Amounts due to related parties	140	140	140
	2,068	2,068	2,068
At 31 December 2013			
– Trade payables	200	200	200
– Accrued liabilities and other payables	5,308	5,308	5,308
– Amounts due to related parties	1,190	1,190	1,190
	6,698	6,698	6,698

(e) Fair value measurements

The following table provides an analysis of financial instruments carried at fair value by level of fair value hierarchy:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	As at 31 December 2012			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets – unlisted securities	–	100	–	100

	As at 31 December 2013			
	Level 1	**Level 2**	**Level 3**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Available-for-sale financial assets – unlisted securities	–	9,330	–	9,330

There were no transfers between levels during the Relevant Periods.

Valuation techniques and inputs in Level 2 fair value measurements

The fair value of unlisted securities in Level 2 is determined by the bank quote as the end of each of the reporting dates as the bank has the obligation to redeem the securities at the Target Group's discretion.

(f) Summary of financial assets and liabilities by category

The categories of financial assets and financial liabilities included in the combined statements of financial position and the headings in which they are included are as follows:

	As at 31 December		
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets			
Available-for-sale financial assets	–	100	9,330
Loans and receivables			
– Trade receivables	–	959	3,084
– Deposits and other receivables	8	221	5,019
– Amounts due from third party payment vendors	2,152	10,054	45,334
– Amounts due from related parties	8,070	17,745	23,471
– Pledged bank deposits	–	–	236
– Cash and cash equivalents	219	17,493	12,608
	10,449	46,472	89,752
	10,449	46,572	99,082
Financial liabilities			
At amortised cost			
– Trade payables	5	7	200
– Accrued liabilities and other payables	929	1,921	5,308
– Amounts due to related parties	662	140	1,190
	1,596	2,068	6,698

32. CAPITAL MANAGEMENT

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for equity holders and benefits for other stakeholders, to maintain an optimal capital structure to reduce the cost of capital and to support the Target Group's stability and growth.

The Target Group actively and regularly reviews and manages its capital structure, taking into consideration the future capital requirements of the Target Group, to ensure optimal equity holder returns.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt. The Target Group is not subject to any externally imposed capital requirements.

The Target Group regards total equity presented on the face of the combined statements of financial position as capital, for capital management purpose. The amount of capital as at 31 December 2011, 2012 and 2013 amounted to approximately RMB4,165,000, RMB30,557,000 and RMB69,016,000, which the management considers as optimal having considered the projected capital expenditures and the forecast strategic investment opportunities.

III. EVENTS AFTER THE REPORTING DATE

The Target Company and the companies now comprising the Target Group underwent and completed the Reorganisation on 31 January 2014.

Except as disclosed above and elsewhere in this report, there are no material subsequent events undertaken by the Target Company or the companies in the Target Group after 31 December 2013.

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and its subsidiaries in respect of any period subsequent to 31 December 2013.

Yours faithfully,

BDO Limited
Certified Public Accountants
Lam Hung Yun, Andrew
Practising Certificate Number P04092

Hong Kong

(2) MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP FOR EACH OF THE PERIOD/YEARS END 31 DECEMBER 2011, 2012 AND 2013

Business review

The Target Group started its business on the design, development, operation and distribution of mobile-online games in 2011 and is one of the pioneers in the mobile-online game market. Both the global and Chinese mobile game markets have grown rapidly in recent years and are expected to continue to grow at a high speed, driven by the technology advancement and penetration of smartphones and other mobile devices and high-speed wireless internet connection. Over the years of experience in the mobile-online game business, the Target Group has built a strong mobile game development and operation team and a broad game player base, has accumulated valuable technical know-how on mobile game and has established proprietary mobile game development and operation infrastructure.

During the period from 30 January 2011 (date of incorporation) to 31 December 2011 and years ended 31 December 2012 and 2013, the Target Group has derived majority of its revenues from its original SanGuo-themed games, namely SanGuo-Mobile (named as 手機三國 in Android version and 指戰三國 in iOS version), which is popular in the Greater China and South East Asia regions and ranked high on various digital distribution platforms for mobile application software, including Google Play and App Store. To further exploration of the oversea market, the Target Group launched Keitaisangoku (named as 攜帶三國 in Android version and 三國神將傳 in iOS version) in Japan and Titans Mobile in North America regions in 2012 and Phonesamgukji (named as 폰삼국지 in Android version and 신삼국지 in iOS version) in Korea 2013. In March 2014, the Target Group launched a new mobile game, namely, Voyage-Mobile (手機大航海) in various digital distribution platforms for mobile application software, including Google Play, in South East Asia markets.

The Target Group has established multiple tiers of game distribution platforms to market and promote the games. The Target Group has collaborated with more than 30 different application distribution channels, including Apple Inc.'s App Store and Google Play, both in domestic and oversea markets, to amplify the game launch and operation. These distribution platforms have large user bases in the Target Group's target markets. In addition, Besides Apple and Google Wallet, the Target Group has established and integrated with multiple payment vendors, including but not limited to Paypal, Alipay, WebMoney, Cash+, MyCard etc., which further enhanced our game operation and distribution capability.

The Target Group derives all of revenues from the sales of virtual items, which mobile game players use to enhance their game experience through extending playtime, enhancing in-game communication, customizing game settings, improving in-game performance and accelerating game progress. The revenue is recognized when services have been provided to paying players. Revenue for consumable virtual items, which is the majority of the virtual items, is recognized when the items are consumed and the related services are rendered. Durable virtual items which are accessible and beneficial to players over an extended period of time, is recognized ratably over the average life of durable virtual items for the applicable game, which the Target Group makes best estimates to be average playing period of paying players.

For the period from 30 January 2011 to 31 December 2011

For the period from 30 January 2011 to 31 December 2011, the Target Group recorded a revenue of approximately RMB11,779,000. Profit after income tax for the period ended 31 December 2011 is approximately RMB3,665,000. The Target Group successfully launched the SanGuo-Mobile in Google Play and Apple Inc's APP Store when the market of mobile game was in early stage.

For the year ended 31 December 2012

For the year ended 31 December 2012, the Target Group recorded a revenue approximately RMB58,983,000, representing an increase of approximately 401% as compared to the period ended 31 December 2011. Profit for the year ended 31 December 2012 increased to approximately RMB26,482,000 from approximately RMB3,665,000 in last period. The increase was mainly attributable to the Target Group's game development and version update, increase in number of users of smart mobile devices and recognition of consumers, the Target Group's collaboration with additional distribution platforms in different regions and launch of Keitaisangoku and Titans Mobile in September 2012.

For the year ended 31 December 2013

For the year ended 31 December 2013, the Target Group recorded a revenue approximately RMB111,549,000, representing an increase of approximately 89% as compared to the year ended 31 December 2012. Profit for the year ended 31 December 2013 increased to approximately RMB58,902,000 from approximately RMB26,482,000 in last year. The increase was mainly attributable to the solid and fast global expansion of the Target Group by continued efforts on the game development and version update on the innovative game playing models and features, expansion of additional distribution platforms and payment vendors in different regions, increase in the number of users of smart mobile devices and recognition of consumers and launch of Phonesamgukji in January 2013.

Financial Summary

Set out below is the financial summary extracted from the accountants' report on the Target Group for the period from 30 January 2011 (date of incorporation) to 31 December 2011 and years ended 31 December 2012 and 2013, respectively:

	Period from 30 January 2011 to 31 December	Year ended 31 December	
	2011	**2012**	**2013**
	RMB'000	*RMB'000*	*RMB'000*
Turnover	11,779	58,983	111,549
Profit before income tax	5,077	33,253	73,998
Profit after income tax	3,665	26,482	58,902

Liquidity and financial resources and capital structure

The Target Group mainly financed its operations and capital expenditures with the paid-up registered capital and the internally generated funds. For the period from 30 January 2011 to 31 December 2011 and years ended 31 December 2012 and 2013, the Target Group employed its funds for its core activities and did not carry out any treasury activities. In the meanwhile, there's no foreign currency net investment hedged by currency borrowings and other hedging instruments.

Set out below is a summary of the audited financial information relating to the assets and liabilities of the Target Group extracted from the accountants' report on the Target Group as at 31 December 2011, 2012 and 2013, respectively:

		As at 31 December		
		2011	**2012**	**2013**
	Notes	*RMB'000*	*RMB'000*	*RMB'000*
Total assets		12,548	53,114	107,861
Total cash and bank balances		219	17,493	12,608
Total liabilities		8,383	22,557	38,845
Net assets		4,165	30,557	69,016
Current ratio	*(1)*	1.25	2.10	2.58
Gearing ratio	*(2)*	0.67	0.42	0.36

(1) The current ratio is calculated as a ratio of the current assets over current liabilities.

(2) The gearing ratio is calculated on the basis of total liabilities to total assets.

As at 31 December 2011

As at 31 December 2011, the Target Group's audited net assets and net current assets were approximately RMB4,165,000 and RMB2,066,000, respectively. The Target Group had total cash and bank balances of approximately RMB219,000 as at 31 December 2011, and the corresponding current ratio was approximately 1.25. As at 31 December 2011, the Group did not have any outstanding loans due to banks or financial institutions.

As at 31 December 2012

As at 31 December 2012, the Target Group's audited net assets and net current assets were approximately RMB30,557,000 and RMB24,422,000, respectively. The Target Group had total cash and bank balances of approximately RMB17,493,000 as at 31 December 2012, and the corresponding current ratio was approximately 2.10. As at 31 December 2012, the Group did not have any outstanding loans due to banks or financial institutions.

As at 31 December 2013

As at 31 December 2013, the Target Group's audited net assets and net current assets were approximately RMB69,016,000 and RMB60,624,000, respectively. The Target Group had total cash and bank balances of approximately RMB12,608,000 as at 31 December 2013, and the corresponding current ratio was approximately 2.58. As at 31 December 2013, the Group did not have any outstanding loans due to banks or financial institutions.

Material investment, acquisition and disposal of subsidiaries and associates

As at 31 December 2012 and 2013, the Target Group holds available-for-sale financial assets of approximately RMB100,000 and RMB9,330,000, respectively, representing RMB-dominated financial products with floating rate of return ranging from 3.3% to 4.6% without fixed maturity dates offered by bank in the PRC.

Saved as disclosed above, there was no other significant investment or material acquisition or disposal since the inception of the Target Group.

Employees and remuneration policy

The Target Group employed 23, 72 and 102 people in the PRC as at 31 December 2011, 2012 and 2013, respectively. Total staff costs incurred for period from 30 January 2011 to 31 December 2011 and years ended 31 December 2012 and 2013 were approximately RMB916,000, RMB4,753,000 and RMB11,253,000, respectively. The Target Group recruits and promotes individual based on merit and their development potentials for the positions offered. When formulating staff remuneration and benefit policies, primary considerations are given to their performance and prevailing salary levels in the market. Benefit provided by the Target Group include training, medical coverage, bonus scheme and statutory retirement scheme.

Pledge of assets

As at 31 December 2013, bank deposit of approximately RMB236,000 with a maturity date over one year was pledged as a security for the Group's credit and banking facilities.

Saved as disclosed above, there were no other charges on the assets of the Target Group at each of the end of the period/year.

Exposure to foreign exchange

For period from 30 January 2011 to 31 December 2011 and years ended 31 December 2012 and 2013 most of the revenues of the Target Group are settled in Reminbi, Hong Kong dollars, U.S. dollars and Japanese Yen. The fluctuation of these currencies during the period from 30 January 2011 to 31 December 2011 and years ended 31 December 2012 and 2013 did not have any adverse effect on the Target Group's results. Besides, the Target Group will conduct periodic review of its exposure to foreign exchange risk and may use financial instruments for hedging purposes when considered appropriate.

Contingent liabilities

As at 31 December 2011, 2012 and 2013, the Target Group did not have any material contingent liabilities.

Capital Commitments

As at 31 December 2011, 2012 and 2013, the Target Group did not have any material capital commitment.

The following is the text of a report, prepared for the purpose of inclusion in this circular, received from the Company's reporting accountants, PKF.

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. Introduction

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group (the "**Unaudited Pro Forma Financial Information**") which has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2013 as set out in the Company's published audited financial statements included in the annual report for the year ended 31 December 2013, after making pro forma adjustments as set out in the notes below.

The Unaudited Pro Forma Financial Information has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition as if it had taken place on 31 December 2013. It has been prepared on the basis of the notes set out below and is consistent with the accounting policies adopted by the Group.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 31 December 2013 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the "Financial information of the Group" set forth in Appendix I to this Circular, the accountants' report of the Target Group set forth in Appendix II to this Circular and other information included elsewhere of this Circular.

2. Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

	Audited consolidated statement of assets and liabilities of the Group as as at 31 December 2013	1	2	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Non-current assets				
Property, plant and equipment	35,835			35,835
Investment properties	38,700			38,700
Investment in an associate	1,561			1,561
Available-for-sale financial assets	–	113,970		113,970
Deferred tax assets	1,211			1,211
	77,307			191,277
Current assets				
Inventories	2,277			2,277
Debtors, deposits and prepayments	41,483			41,483
Income tax recoverable	44			44
Cash and bank balances	42,125	(98,800)		(56,675)
	85,929			(12,871)
Assets of a disposal group classified as held for sale	14,214			14,214
	100,143			1,343

	Audited consolidated statement of assets and liabilities of the Group as as at 31 December 2013	1	2	Unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2013
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	Note 1	*Note 2*	*Note 3*	
Current liabilities				
Creditors, accruals and other payables	13,318	15,170	2,000	30,488
Income tax payable	166			166
	13,484			30,654
Liabilities of a disposal group classified as held for sale	1,214			1,214
	14,698			31,868
Net current assets/(liabilities)	85,445			(30,525)
Total assets less current liabilities	162,752			160,752
Non-current liability				
Deferred tax liabilities	10			10
Net assets	162,742			160,742
Capital and reserves				
Share capital	93,086			93,086
Share premium and reserves	68,825		(2,000)	66,825
Equity attributable to shareholders of the company	161,911			159,911
Non-controlling interests	831			831
Total equity	162,742			160,742

3. Notes to the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group

Notes :

1. The balances were extracted from the audited consolidated statement of financial position of the Group as at 31 December 2013 as set out in the Company's published annual report for the year ended 31 December 2013.

2. On 2 April 2014, the Group acquired 13% of the issued share capital of the Target Company at a consideration of HK$113,970,000. Details of the transaction were set out in the Company's announcement dated 2 April 2014.

   The consideration will be funded by the followings:

   (i) cash of approximately HK$98,800,000; and

   (ii) borrowings of approximately HK$15,170,000.

   Following completion of the Acquisition, the Group assume to have suffered a shortfall of cash and bank balances amounted to approximately HK$19,675,000.

   On 21 March 2014, the Company proposed to raise approximately HK$71,700,000 before expenses by way of Rights Issue. Details of the Rights Issue were set out in the Company's announcement and prospectus dated 21 March 2014 and 24 April 2014, respectively.

   On 22 May 2014, the Company proposed to dispose of the sale shares of Funa Assets Limited, at a consideration of approximately HK$39,000,000 (subject to adjustment), details of which were set out in the Company's announcement dated 22 May 2014. The Company expect to use the net proceeds from such disposal of approximately HK$37,000,000 in the Second Acquisition.

   The shortfall in the cash and bank balances of the Group is for illustrative purpose only and will therefore be improved upon the completion of the Rights Issue and the Group will be able to maintain its sufficient working capital afterward.

3. The adjustment represents the estimated transaction costs of approximately HK$2,000,000, which are mainly professional fees payable by the Company in connection with the Proposed Acquisition, which is assumed to be paid upon the completion of the Acquisition. The estimated transaction costs are to be paid to the legal advisor and the auditors.

4. Apart from the adjustments as stated in notes (2) and (3) above, no adjustments have been made to reflect any trading results or other transactions of the Group entered into subsequent to 31 December 2013.

5. There is no indication of impairment in the available-for-sale financial assets relating to the acquisition of the Target Company.

B. ACCOUNTANTS' REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

大信梁學濂(香港)會計師事務所

PKF
Accountants & business advisers

26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay
Hong Kong

19 June 2014

INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

To the Directors of China Mobile Games and Cultural Investment Limited

We have completed our assurance engagement to report on the compilation of pro forma financial information of China Mobile Games and Cultural Investment Limited (the "**Company**") and its subsidiaries (collectively the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 31 December 2013 and related notes as set out in Part A of Appendix III to the circular dated 19 June 2014 (the "**Circular**") issued by the Company (the "**Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Pro Forma Financial Information are described in Part A of Appendix III to the Circular.

The Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Company's proposed acquisition of 13% equity interests in Mighty Eight Investments Limited (the "**Target Company**") and its subsidiaries (the "**Target Group**") (the "**Proposed Acquisition**") on the Group's financial position as at 31 December 2013 as if the Proposed Acquisition had taken place at 31 December 2013. As part of this process, information about the Group's financial position as at 31 December 2013 has been extracted by the Directors from the published annual report of the Group for the year ended 31 December 2013.

Directors' Responsibilities for the Pro Forma Financial Information

The Directors are responsible for compiling the Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM Listing Rules, on the Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements ("**HKSAE**") 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM Listing Rules, and with reference to AG 7 issued by the HKICPA.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Financial Information.

The purpose of Pro Forma Financial Information included in an investment circular is solely to illustrate the impact of a significant event or transaction on the unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at 31 December 2013 would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and

- the Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion :

(a) the Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the GEM Listing Rules.

PKF
Certified Public Accountants
26/F, Citicorp Centre
18 Whitfield Road
Causeway Bay, Hong Kong

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information regarding 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 INTEREST

(i) Directors' interests and short position in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interests and 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 (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, including interests and short positions which they were deemed or taken to have under such provisions of the SFO, (ii) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or (iii) were required, pursuant to rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(ii) Persons who have an interest or short position which is discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

As at the Latest Practicable Date, so far as was known to any Director, the following persons, other than a director or chief executive of the Company, had interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO:

Name of shareholder	Nature of interest	Existing shares and underlying existing shares	Approximate percentage of interest
China New Economy Fund Limited	Beneficial owner	274,608,000 (L)	16.33% *(Note 1)*

Notes:

1. The percentage shareholding in the Company is calculated by reference to 1,681,286,430 Shares in issue as at the Latest Practicable Date.

2. The letter (L) above denotes long position and the letter (S) above denotes short position.

Save as disclosed in this circular, as at the Latest Practicable Date, so far as was known to any Director, there was no other person who had interest or a short position in the shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO.

3. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective associates had any business which competes or may compete with the business of the Group.

As at the Latest Practicable Date, the Company did not have any controlling Shareholders.

4. DIRECTORS' SERVICE CONTRACTS

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

Mr. Zhang Xiongfeng has been appointed for a fixed term commencing from 9 December, 2013 and expiring on 31 December 2014; Mr. Zhang Peiao has been appointed for a term of 11 months commencing on 30 January, 2014; Mr. Hung Kenneth has been appointed for a fixed term commencing from 18 February, 2014 and expiring on 31 December 2014. Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing did not enter into any appointment letter with the Company and are not appointed for specific terms but subject to retirement by rotation and re-election in according with the articles of association of the Company.

5. INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors is materially interested in contract or arrangement subsisting which is significant in relation to the business of the Group, nor has any Director had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2013, the date to which the latest published audited consolidated financial statements of the Group were made up.

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and no litigation, arbitration or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

7. MATERIAL CONTRACTS

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

(i) the underwriting agreement dated 22 August 2012 and entered into between the Company and Kingston Securities Limited in relation to the issue of 418,274,796 Shares by the Company by way of open offer. Further details of the open offer are set out in the announcement, the circular and the prospectus of the Company dated 22 August 2012, 12 October 2012 and 12 November 2012 respectively;

(ii) the sale and purchase agreement dated 22 March 2013 and entered into between Absolutely Talent Technology Limited ("**Absolutely Talent**") (a wholly-owned subsidiary of the Company) as the purchaser, and Plenty Cash Investment Limited as the vendor, in relation to the acquisition of 100% interest in Funa Assets Limited at the consideration of HK$40,000,000, details of which are set out in the announcement of the Company dated 22 March 2013;

(iii) the sale and purchase agreement dated 16 April 2013 (as amended by an addendum dated 19 July 2013) and entered into between Absolutely Talent as the purchaser, the Company as the purchaser's guarantor, and three vendors ("**Vendors**"), namely Jun Yang Solar Power Investments Limited (formerly known as China Gogreen Assets Investment Limited), Town Health (BVI) Limited and Dr. Fung Yiu Tong, Bennet, in relation to the acquisition of the entire issued share capital of Luck Key Investment Limited ("**Luck Key**") and the obligations, liabilities and debts owing or incurred by Luck Key and its subsidiaries to the Vendors prior to completion, at the consideration of HK$85,000,000, further details of which are set out in the announcements of the Company dated 16 April 2013 and 19 July 2013 and the circular of the Company dated 24 August 2013;

(iv) the deed of novation dated 18 July 2013 and entered into between Successful Treasure Investments Limited ("**Successful Treasure**") (a wholly-owned subsidiary of the Company), Keen Profit Development Limited and Enrich Marine Sdn. Bhd ("**EMSB**"), pursuant to which, among other matters, Successful Treasure novated its rights and obligations in and under the Investment Agreement dated 25 April 2012 and entered into between Successful Treasure and EMSB to Keen Profit Development Limited, further details of which are set out in the announcement of the Company dated 18 July 2013;

(v) the joint venture agreement dated 2 October 2013 and entered into between Absolutely Talent (a wholly-owned subsidiary of the Company) and ChinaQFii Company Limited ("**ChinaQFii**"), in relation to the formation of a joint venture company ("**JV Company**"), which would be principally engaged in research, development, operation and management of web-based platform for deal sourcing and matching services and providing information regarding project investment and fund investment. The proposed initial issued capital of the JV Company would be HK$10,000 which shall be contributed as to 70% by Absolutely Talent and as to 30% by ChinaQFii, and the maximum investment in the JV Company would be HK$20,000,000, which shall be contributed as to 70% by Absolutely Talent and 30% by ChinaQFii, further details of which are set out in the announcement of the Company dated 2 October 2013;

(vi) the conditional placing agreement dated 12 November 2013 and entered into between the Company as the issuer and CNI Securities Group Limited ("**CNI**") as the placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent, up to 110,000,000 new Shares under the general mandate granted to the Directors at the annual general meeting of the Company held on 15 May 2013 at the price of HK$0.128 per placing share to not less than six placees, further details of which are set out in the announcement of the Company dated 12 November 2013;

(vii) the conditional placing agreement dated 12 November 2013 and entered into between the Company as the issuer and CNI as the placing agent, pursuant to which the Company conditionally agreed to place, through the placing agent, up to 190,000,000 new Shares under the specific mandate (which was granted to the Directors at the extraordinary general meeting of the Company held on 14 January 2014) at the price of HK$0.128 per placing share to not less than six placees, further details of which are set out in the announcement of the Company dated 12 November 2013 and the circular of the Company dated 27 December 2013;

(viii) the joint venture agreement dated 5 December 2013 and entered into between the Company and Ample China Development Limited ("**Ample China**"), a wholly-owned subsidiary of Universe International Holdings Limited, in relation to the establishment of the joint venture company, which would be principally engaged in development and sale and computer and mobile phone games, and the maximum investment in the joint venture company would be

HK$40,000,000, which shall be contributed as to 50% by the Company and 50% by Ample China, further details of which are set out in the announcement of the Company dated 5 December 2013;

(ix) the sale and purchase agreement dated 29 January 2014 and entered into between Computech International Limited (a direct wholly-owned subsidiary of the Company) as the vendor, and Billion Legend Trading Limited as the purchaser, in relation to the disposal of the entire issued share capital of Computech Online Limited at the consideration of HK$13 million, further details of which are set out in the announcement of the Company dated 29 January 2014;

(x) the First SP Agreement;

(xi) the sale and purchase agreement dated 4 March 2014 and entered into between Ever Robust Holdings Limited (a wholly-owned subsidiary of the Company) as the purchaser, and Globalcrest Enterprises Limited as the vendor, in relation to the acquisition ("**Acquisition**") of 9.91% of the issued share capital of Universe International Holdings Limited (stock code: 1046) at the consideration of HK$42,160,000, details of which are set out in the announcement of the Company dated 4 March 2014, and the supplemental agreement dated 14 March 2014 in relation to amendment to the completion date for the Acquisition, details of which are set out in the announcement of the Company dated 14 March 2014;

(xii) the cooperation agreement dated 12 March 2014 entered into between the Company and HK SBT in relation to the appointment of HK SBT as the preference cooperation partner of the Group in relation to the operation, publication and distribution of the mobile-online games which will be developed by the Group from time to time, details of which are set out in the announcement of the Company dated 12 March 2014;

(xiii) the licence agreement dated 14 March 2014 and entered into between Absolutely Talent (a wholly-owned subsidiary of the Company) as the grantee and Jade Dynasty Publications Limited as the grantor ("**Grantor**"), pursuant to which the Grantor granted the exclusive licence to Absolutely Talent to, through itself and/or the operator appointed by the Grantee, develop the smart mobile devices games developed by Absolutely Talent and the derived products from such mobile games in any languages based on the contents of the comic named Solor Load (小魔神) or any of the comics composed by Mr. Wong Chun Loong (alias Mr. Wong Yuk Long) as agreed by the parties to the licence agreement during the period commencing on 14 March 2014 until the expiration of the period of three years commencing on the date of completion of the development of the said mobile games, the details of which are set out in the announcement of the Company dated 14 March 2014;

(xiv) the underwriting agreement dated 21 March 2014 and entered into between the Company and Win Fung Securities Limited in relation to the rights issue of 560,428,810 rights shares, details of which are set out in the announcement of the Company dated 21 March 2014;

(xv) the Second SP Agreement;

(xvi) the sale and purchase agreement dated 22 May 2014 entered into between Absolutely Talent Technology Limited, a wholly-owned subsidiary of the Company, the Company and Laurel Stars Limited in relation to the disposal of 100% equity interest in Funa Assets Limited at the consideration of HK$39,000,000 (subject to adjustment), details of which are set out in the announcement of the Company dated 22 May 2014;

(xvii) the subscription agreement dated 28 May 2014 entered into between Timely Investments Limited, a wholly-owned subsidiary of the Company, and Youle Holdings Limited ("**Youle**") in relation to the subscription for 125 new shares in Youle at the aggregate consideration of RMB4,166,700, details of which are set out in the announcement of the Company dated 28 May 2014; and

(xviii) the subscription agreement dated 6 June 2014 and entered into between the Company and China New Economy Fund Limited in relation to the subscription for 224,166,000 new Shares at the subscription price of HK$0.10 per Share, details of which are set out in the announcement of the Company dated 6 June 2014.

8. EXPERT AND CONSENT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	Qualification
BDO Limited	Certified Public Accountants, being the reporting accountant for the financial information of the Target Group
PKF	Certified Public Accountants, being the reporting accountant for the unaudited pro forma financial information of the Enlarged Group
Fangda Partners	Legal Advisor on PRC laws

Each of BDO Limited, PKF and the PRC Legal Advisor has given, and has not withdrawn, its written consent to the issue of this circular with the inclusion of its letter and report and reference to its names, as the case may be, in the form and context in which it appears.

As at the Latest Practicable Date, each of BDO Limited, PKF and the PRC Legal Advisor did not have any direct or indirect shareholding interest in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities of any member of the Group.

As at the Latest Practicable Date, each of BDO Limited, PKF and the PRC Legal Advisor did not have any direct or indirect interest in any assets which have been acquired, disposed of or leased to or which are proposed to be acquired, disposed of by or leased to any member of the Group, respectively, since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

9. CORPORATE INFORMATION OF THE COMPANY

Registered office	Cricket Square Hutchins Drive P.O. Box 2681 Grand Cayman KY1-1111 Cayman Islands
Head office and principal place of business	Unit 1801 18/F., Jubilee Centre 46 Gloucester Road Wanchai Hong Kong

Principal share registrar and transfer office	Royal Bank of Canada Trust Company (Cayman) Limited 4th Floor, Royal Bank House 24 Shedden Road, George Town Grand Cayman KY1-1110 Cayman Islands
Hong Kong branch share registrar and transfer office	Hong Kong Registrars Limited Shops 1712–1716, 17/F Hopewell Centre 183 Queen's Road East Wanchai Hong Kong
Company secretary	Ms. Lam Ching Yee, *CPA*
Compliance officer	Mr. Hung Kenneth

10. AUDIT COMMITTEE

An audit committee of the Company ("**Audit Committee**") was established with written terms of reference in compliance with the Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive Directors, at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. There are three members in the Audit Committee comprising the three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing. Mr. Wong Siu Keung, Joe, is the chairman of the Audit Committee.

The primary duties of the audit committee are mainly to review the financial information and reporting process, internal control procedures and risk management system, audit plan and relationship with external auditors and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Biographical information of each member of the Audit Committee is set out below:

Mr. Wong Siu Keung, Joe, aged 49, was appointed as the independent non-executive Director on 15 December 2011. Mr. Wong Siu Keung, Joe holds a Degree of Master of Arts in International Accounting from City University of Hong Kong and a Master of Corporate Governance from The Hong Kong Polytechnic University. He is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Wong Siu Keung, Joe has extensive experience in taxation, accounting, financing, audit field and public listed companies for many years. Mr. Wong is also as the independent non-executive Director of China Water Industry Group Limited (Stock code: 1129), a company whose shares are listed on the Main Board of the Stock Exchange.

Mr. Wong Ching Yip, aged 41, was appointed as the independent non-executive Director on 15 December 2011. Mr. Wong Ching Yip holds a Degree of Bachelor of Arts in University of Winnipeg in Canada. He has extensive experience in the field of global sales and marketing covering areas including PRC, the United States of America and Europe. Mr. Wong Ching Yip had been an independent non-executive director of SMI Publishing Group Limited (the "**SMI**") (Stock code: 8010, currently known as Sing Pao Media Enterprises Limited), for the period from September 2008 to May 2010 and had been re-designated as an executive director of SMI in May 2010 till August 2011, a company whose shares are listed on the GEM of the Stock Exchange.

Mr. Luk Chi Shing, aged 44, was appointed as the independent non-executive Director on 20 December 2011. Mr. Luk holds a Bachelors Degree of Business Administration in Accountancy in City University of Hong Kong. Mr. Luk is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. Mr. Luk has extensive experience in financial management, auditing and public listed companies for over 15 years. Mr. Luk is also an executive director of Tai Shing International (Holdings) Limited (Stock code: 8103), a company whose shares are listed on the GEM of the Stock Exchange. Mr. Luk is also an independent non-executive director of Gamma Logistics Corporation (Stock code: 8310), a company whose shares are listed on the GEM of the Stock Exchange.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours from 9:00 a.m. to 5:30 p.m. on any Business Day at the office of Messrs. Leung & Lau at Units 7208–10, 72nd Floor, the Center, 99 Queen's Road C., Central, Hong Kong from the date of this circular up to and including the date of the EGM:

(a) the memorandum and articles of association of the Company;

(b) the annual reports of the Company for the years ended 31 December 2011, 31 December 2012 and 31 December 2013;

(c) the report on the unaudited pro forma financial information on the Group as set out in Appendix III to this circular;

(d) the material contracts referred to in the paragraph headed "Material contracts" of this Appendix IV;

(e) the legal opinion issued by the PRC Legal Advisor; and

(f) the written consent from each of BDO Limited, PKF and the PRC Legal Advisor referred to in the section headed "Expert and consent" of this Appendix IV.

China Mobile Games and Cultural Investment Limited
中國手遊文化投資有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8081)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting ("**Meeting**") of China Mobile Games and Cultural Investment Limited ("**Company**") will be held at 9:00 a.m. on Monday, 7 July 2014 at Chairman Room, Level 2, Royal Park Hotel, 8 Pak Hok Ting Street, Shatin, New Territories, Hong Kong, for the purpose of considering and, if thought fit, passing the following resolution as an ordinary resolution of the Company:

ORDINARY RESOLUTION

"**THAT**

(A) the sale and purchase agreement dated 2 April 2014 and entered into by and among Best Faith Limited (a wholly-owned subsidiary of the Company) as the purchaser, the Company as the purchaser's guarantor, Century Grand Holdings Limited as the vendor, and the vendor's guarantors, namely Ms. Chen Ling, Mr. Lu Le, Mr. Mao Yiqing and Mr. Mei Liang, in relation to the acquisition ("**Acquisition**") of 13% of the issued share capital of Mighty Eight Investments Limited (as set out in the circular of the Company dated 19 June 2014 ("**Circular**"), a copy of which is marked "A" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) ("**SP Agreement**", a copy of the SP Agreement is marked "B" and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved, confirmed and ratified and the Acquisition and all other transactions contemplated under the SP Agreement be and are hereby approved; and

(B) the directors of the Company ("**Directors**") or a duly authorised committee of the board of Directors be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deed on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the SP Agreement and to agree to such variation, amendments or waiver or matters relating thereto (excluding any variation, amendments or waiver of such documents or any terms thereof, which are fundamentally and materially different from those as provided for in the SP Agreement and which shall be subject to approval of the shareholders of the Company) as are, in the opinion of the Directors or a duly authorised committee, in the interest of the Company and its shareholders as a whole."

On behalf of the Board
China Mobile Games and Cultural Investment Limited
Zhang Xiongfeng
Chairman

Hong Kong, 19 June 2014

Registered office:
Cricket Square
Hutchins Drive
P. O. Box 2681
Grand Cayman KY1-1111
Cayman Islands

Head office and principal place of business in Hong Kong:
Unit 1801, 18/F.
Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Notes:

1. The resolution at the EGM will be taken by poll pursuant to the GEM Listing Rules and the results of the poll will be published on the websites of GEM and the Company in accordance with the GEM Listing Rules.

2. Any member of the Company entitled to attend and vote at the EGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares may appoint more than one proxy to represent him and vote on his behalf at the EGM. A proxy need not be a member of the Company. On a poll, votes may be given either personally or by proxy.

3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

4. To be valid, the instrument appointing a proxy and (if required by the Board) the power of attorney or other authority (if any) under which it is signed, or a certified copy of such power or authority, shall be delivered to the office of the Hong Kong branch share registrar and transfer office of the Company, Hong Kong Registrars Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof.

5. No instrument appointing a proxy shall be valid after expiration of 12 months from the date named in it as the date of its execution, except at an adjourned meeting or on a poll demanded at the EGM or any adjournment thereof in cases where the EGM was originally held within 12 months from such date.

6. Where there are joint holders of any shares, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such share as if he/she were solely entitled thereto, but if more than one of such joint holders be present at the EGM, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

7. Completion and delivery of an instrument appointing a proxy shall not preclude a member from attending and voting in person at the EGM if the member so wish and in such event, the instrument appointing a proxy should be deemed to be revoked.

As at the date of this notice, the Board comprises (i) three executive Directors, namely Mr. Zhang Xiongfeng, Mr. Zhang Peiao and Mr. Hung Kenneth and (ii) three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing.