

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

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

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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) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF SHARES UNDER SPECIFIC MANDATE;
(2) GRANT OF THE DIRECTOR OPTIONS;
(3) PROPOSED REFRESHMENT OF 10% GENERAL LIMIT
UNDER THE SHARE OPTION SCHEME;
(4) PROPOSED REFRESHMENT
OF THE GENERAL MANDATE TO ISSUE SHARES
AND
(5) NOTICE OF EGM**

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**



A notice convening the extraordinary general meeting of the Company to be held at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong on Tuesday, 12 August 2014 at 9:00 a.m. is set out on pages EGM-1 to EGM-5 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.cmgc.com.hk>.

21 July 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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DEFINITIONS

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

“10% General Limit”	the limit imposed under the rules of the Share Option Scheme on the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme, being 10% of the Company’s issued share capital as at the date of adoption of the Share Option Scheme which has been “refreshed” and may be “refreshed” pursuant to the rules of the Share Option Scheme
“AGM”	the annual general meeting of the Company held on 30 April 2014
“Articles of Association”	the articles of association of the Company as may be amended from time to time
“associate(s)”	has the meaning ascribed thereto in the GEM Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (excluding a 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
“Capital Reorganisation”	the reduction of the par value of each issued existing Share from HK\$0.10 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each of the issued existing Shares such that each issued share of HK\$0.10 be treated as one fully paid-up share of HK\$0.01 in the share capital of the Company and the application of the credits arising from such capital reduction to set off the accumulated losses of the Company as at the effective date of the Capital Reorganisation (if any) with the balance (if any) to be transferred to a distributable reserve called the distributable capital reduction reserve account or other reserve account of the Company and the share subdivision of each authorised but unissued share of HK\$0.10 each into ten unissued new shares of HK\$0.01 each, details of which are set out in the Company’s circular dated 14 February 2014 and the Company’s announcement dated 14 July 2014

DEFINITIONS

“close associate(s)”	has the meaning as ascribed to it under the GEM Listing Rules
“Companies Law”	Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands
“Company”	China Mobile Games and Cultural Investment Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM
“Completion”	completion of the Subscription
“Completion Date”	the fifth Business Day after the satisfaction of all the conditions precedent to the Completion pursuant to the Subscription Agreement (or such other date as may be agreed by the Company and the Subscriber in writing), being the date on which Completion shall take place
“Current Issue Mandate”	the general mandate approved and granted to the Directors at the AGM to allot, issue and deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of the AGM
“Director(s)”	the director(s) of the Company
“Director Grantees”	two Eligible Participants, being Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board, Mr. Zhang Peiao, an executive Director and the chief executive officer of the Company
“Director Options”	being the options entitling the holders thereof to subscribe for an aggregate of 95,272,622 Shares conditionally granted to Director Grantees by the Company under the Share Option Scheme
“EGM”	the extraordinary general meeting of the Company to be held at 5/F, Euro Trade Centre, 13-14 Connaught Road Central, Hong Kong on Tuesday, 12 August 2014 at 9:00 a.m. for the purpose of considering and, if thought fit, approving (i) the Subscription and the grant of the Specific Mandate; (ii) the grant of the Director Options; (iii) the refreshment of the 10% General Limit under the Share Option Scheme; and (iv) the grant of the Refreshed Issue Mandate, the notice of which is set out on pages EGM-1 to EGM-5 of this circular

DEFINITIONS

“Eligible Participant”	eligible participant of the Share Option Scheme, being any employee, contracted celebrity, advisor, consultant, service provider, agent, supplier, customer, partner or joint-venture partner of the Company or any subsidiary of the Company (including any director, whether executive or non-executive and whether independent or not, of the Company or any subsidiary of the Company) who is in full-time or part-time employment with the Company or any subsidiary of the Company at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute the Group
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the committee of the Board comprising all the independent non-executive Directors (namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing)
“Independent Financial Adviser”	Aviate Beijing Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate
“Independent Shareholders”	shareholders of the Company other than those who are required by the GEM Listing Rules to abstain from voting on the resolutions approving (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate

DEFINITIONS

“Independent Third Party”	the third party which is independent of the Company and its connected persons (as defined in the GEM Listing Rules) and “Independent Third Parties” shall be construed accordingly
“Individual Limit”	the maximum entitlement of each Eligible Participant under the Share Option Scheme stipulated in the Note to Rule 23.03(4) of the GEM Listing Rules, namely, that the aggregate number of Shares issued and to be issued upon exercise of the options granted to such Eligible Participant (including both exercised and outstanding options) in any 12-month period shall not exceed 1% of the Shares in issue of the Company
“Latest Practicable Date”	16 July 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Approval”	the approval by the Stock Exchange for the listing of, and permission to deal in, the relevant Shares
“Refreshed Issue Mandate”	a general and unconditional mandate proposed to be granted to the Directors at the EGM to exercise the power of the Company to allot, issue or otherwise deal with Shares up to a maximum of 20% of the aggregate nominal amount of the share capital of the Company in issue as at the date of passing the relevant resolution
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company or if there has been a subsequent sub-division, consolidation, reclassification or reconstruction of the share capital of the Company, shares forming part of the ordinary equity share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme of the Company adopted by the Company pursuant to an ordinary resolution of all the then Shareholders passed on 10 November 2010

DEFINITIONS

“Specific Mandate”	the specific mandate to be granted by the Independent Shareholders to the Board at the EGM for the allotment and issue of 381,078,000 Subscription Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriber”	Turbo Pointer Limited, a company incorporated in the British Virgin Islands with limited liability
“Subscription”	the subscription of the Subscription Shares by the Subscriber pursuant to the Subscription Agreement
“Subscription Agreement”	the subscription agreement dated 18 June 2014 entered into between the Company and the Subscriber in relation to the Subscription
“Subscription Price”	the subscription price of HK\$0.118 per Subscription Share
“Subscription Shares”	381,078,000 new Shares to be allotted and issued under the Subscription Agreement to the Subscriber upon Completion
“%”	per cent.

LETTER FROM THE BOARD



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

Mr. Hung Kenneth

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

21 July 2014

To the Shareholders

Dear Sir or Madam,

- (1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF SHARES UNDER SPECIFIC MANDATE;
(2) GRANT OF THE DIRECTOR OPTIONS;
(3) PROPOSED REFRESHMENT OF 10% GENERAL LIMIT
UNDER THE SHARE OPTION SCHEME;
AND
(4) PROPOSED REFRESHMENT
OF THE GENERAL MANDATE TO ISSUE SHARES**

INTRODUCTION

As set out in the announcement of the Company dated 18 June 2014, the Company has entered into the Subscription Agreement with the Subscriber on 18 June 2014 regarding the connected transaction involving the Subscription under the Specific Mandate.

LETTER FROM THE BOARD

As set out in the announcement of the Company dated 19 June 2014, the Company has conditionally granted the Director Options to the Director Grantees on 19 June 2014. As each of the Director Options granted exceeds the Individual Limit and the Director Options exceed the refreshed 10% General Limit under the Share Option Scheme, the grant of each of the Director Options is subject to approval by Shareholders at the EGM, and is subject to refreshment of 10% General Limit.

In addition, the Board proposes to seek the Shareholders' approval for the grant of the Refreshed Issue Mandate and the refreshment of the 10% General Limit under the Share Option Scheme.

The purpose of this circular is to give you notice of the EGM and to provide you with information regarding (i) the Subscription and the grant of the Specific Mandate; (ii) the grant of the Director Options; (iii) the proposed refreshment of 10% General Limit under the Share Option Scheme; (iv) the proposed grant of the Refreshed Issue Mandate; and (v) the notice of the EGM.

(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF SHARES UNDER SPECIFIC MANDATE

On 18 June 2014, the Company and the Subscriber entered into the Subscription Agreement, the major terms of which are described below.

THE SUBSCRIPTION AGREEMENT

Date

18 June 2014

Parties

Issuer: The Company

Subscriber: Turbo Pointer Limited, a company incorporated in the British Virgin Islands with limited liability and principally engaged in securities investment business. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Subscriber is a company beneficially and wholly-owned by Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board, and is thus a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules

LETTER FROM THE BOARD

Subscription Shares

The Company conditionally agreed to allot and issue, and the Subscriber conditionally agreed to subscribe for, the Subscription Shares.

The 381,078,000 Subscription Shares (of an aggregate nominal value of HK\$3,810,780 after the Capital Reorganisation became effective on 11 July 2014) to be allotted and issued under the Subscription represent (i) approximately 20% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)).

Conditions precedent

Completion is conditional upon fulfillment of the following conditions:

- (i) the Agreement and the transactions contemplated thereunder (including but not limited to the allotment and issue of the Subscription Shares) having been approved by the Independent Shareholders;
- (ii) the Capital Reorganisation having become effective;
- (iii) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Subscription Shares; and
- (iv) the compliance with the applicable requirements under the GEM Listing Rules by the Company.

None of the above conditions precedent is capable of being waived by the parties. If any of the above conditions precedent have not been fulfilled on or before the 30 September 2014 (or such later date as the Company and the Subscriber may agree in writing), the Subscription Agreement (save and except for the clauses regarding confidentiality and other general provisions) shall cease and determine.

The long stop date for the fulfilment of the conditions precedent is set at 30 September 2014 solely for allowing sufficient time for fulfilment of the conditions precedent to avoid the entering into supplemental agreement if a tight timetable is set for fulfilment of the conditions precedent, taking into account that the Company requires some time to prepare this circular. It is the intention of the parties to the Subscription Agreement that Completion will take place on or before the fifth Business Day after the satisfaction of all the conditions precedent pursuant to the Subscription Agreement, but not otherwise.

As at the Latest Practicable Date, save as disclosed in the announcement of the Company dated 14 July 2014 that the Capital Reorganisation had become effective on 11 July 2014, none of the other conditions precedent has been fulfilled.

LETTER FROM THE BOARD

Lock-up of Subscription Shares

During the period of two months from the Completion Date (“**Lock-up Period**”), save with the prior written consent of the Company, the Subscriber shall remain as the sole beneficial owner, free from all encumbrances and third party right, of the Subscription Shares. At any time during the Lock-up Period, the Subscriber shall not offer, pledge, charge, sell, contract to sell, or otherwise transfer or disposed of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, the Subscription Shares.

Subscription Price

The Subscription Price of HK\$0.118 per Subscription Share represents:

- (i) a discount of approximately 34.08% to the closing price of HK\$0.179 per Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (ii) a discount of approximately 6.35% to the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on 18 June 2014, being the date of the Subscription Agreement;
- (iii) the average of the closing price of HK\$0.118 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and
- (iv) a premium of approximately 3.24% over the average of the closing price of HK\$0.1143 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

The Subscription Price was arrived at after arm’s length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares prior to the date of the Subscription Agreement.

The aggregate Subscription Price will be payable by the Subscriber in cash upon Completion.

Ranking

The Subscription Shares, when fully paid and allotted and issued, will rank pari passu among themselves and with the Shares in issue on the date of allotment and issue of the Subscription Shares.

Completion

Completion shall take place on the fifth Business Day after the satisfaction of all the conditions precedent pursuant to the Subscription Agreement (or such other date as may be agreed by the Company and the Subscriber in writing).

LETTER FROM THE BOARD

Mandate to issue the Subscription Shares

The Subscription Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Subscription Shares.

REASONS FOR AND BENEFITS OF THE SUBSCRIPTION

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 investment business.

Updates on the business of the Group

Save for the update on the mobile-online game business, health check business, properties investment business and money lending business of the Group as set out below, there is no material change in other business segments of the Group from those disclosed in the Company's first quarterly report for the three months ended 31 March 2014.

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. 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 and certain Independent Third Parties agreed to conditionally acquire 5% issued share capital of Mighty Eight Investments Limited at the consideration of HK\$43,600,000 ("**First Acquisition**") and completion of the First Acquisition took place in June 2014. The subsidiaries and companies controlled by Mighty Eight Investments Limited include Something Big Technology Company Limited ("**HK SBT**"), 上海頑迦網絡科技有限公司 (unofficial English name being, "Shanghai Wanjia Network Technology Co., Ltd.") ("**Shanghai Wanjia**") and 上海顛視數碼科技有限公司 (unofficial English name being, "Shanghai Something Big Technology Co., Ltd.") ("**Shanghai SBT**"). HK SBT is principally engaged in development and operation of mobile-online games. It is also responsible for marketing and distribution of games developed by Shanghai Wanjia and Shanghai SBT to the international markets including Japan, Korea, United States, Taiwan, Malaysia, Macau and Singapore. Shanghai SBT is well known by its original SanGuo-themed games, namely "手機三國", which are popular in the Greater China and South East Asia and ranked high on various digital distribution platforms for mobile application software, including Google Play and App Store.

LETTER FROM THE BOARD

On 2 April 2014, the Group and the original parties to the First Acquisition entered into another sale and purchase agreement, pursuant to which the Group agreed to conditionally acquire additional 13% issued share capital of Mighty Eight Investments Limited at the consideration of HK\$113,970,000 (subject to adjustment) (“**Second Acquisition**”). Details of the Second Acquisition were set out in the Company’s announcement and circular dated 2 April 2014 and 19 June 2014, respectively. The Second Acquisition has been approved by a special resolution passed at extraordinary general meeting of the Company held on 7 July 2014 and that the completion of Second Acquisition took place on 14 July 2014. Upon the completion of the Second Acquisition, Mighty Eight Investments Limited was owned as to 18% by the Group.

On 28 May 2014, the Group entered into the subscription agreement pursuant to which the Group conditionally agreed to subscribe for 12.5% share capital (as enlarged by the subscription) of Youle Holdings Limited at an aggregate subscription price of RMB4,166,700 (“**WildHammer Subscription**”), subject to the completion of acquisition of the paid-in capital of 上海蠻錘數碼科技有限公司 (English name for identification only, Shanghai WildHammer Digital Technology Co., Ltd.) (“**Wildhammer**”) by the subsidiary of Youle Holdings Limited. Wildhammer is principally engaged in, among others, the technology development of computer and digital products, information technology, technical services, development and sales of software and hardware, and webpage design. It is expected that completion of the WildHammer Subscription will take place by the end of July 2014. In addition, the Group has been granted with the exclusive license from Wildhammer (the “**WildHammer Licence**”) to operate a mobile device online game called “戰略傳奇” (English name for identification only, The Rune Rush) in the regions of South East Asia, Hong Kong, the Macau and Taiwan within a licence period. Details of the WildHammer Licence were set out in the Company’s announcements dated 28 May 2014. On 24 June 2014, the Group entered into a license agreement with HK SBT pursuant to which the Group granted the operating licence of the mobile device online game called “戰略傳奇” (English name for identification only, The Rune Rush) to HK SBT in the regions of South East Asia, Hong Kong, the Macau and Taiwan within a licence period. The Directors consider that the substantial experience of HK SBT in operation of mobile-online games will assist the Group to perform its obligations under WildHammer Licence. It is targeted that the licensed game will commence to derive income to the Group in August 2014.

On 30 June 2014, a wholly foreign owned enterprise (“**WFOE**”), namely 迹象信息技术(上海)有限公司 (unofficial English name for identification purpose, Jixiang Information Technology (Shanghai) Co., Ltd.), was established in the PRC which will be engaging in technology development, technology advisory, technology services, transfer of internet technology; design, development and production of software; design and development of game and comic software; sale of self-developed products and provision of related technological advisory services and wholesale and import and export of the above products and products of same class. The WFOE will commence the design and development of a new innovative RPG mobile-online game, which is targeted to be launched in the fourth quarter of 2014 and is expected to commence to derive income for the Group in the fourth quarter of 2014.

LETTER FROM THE BOARD

The Group is also exploring the opportunity to invest in 上海網岩網路科技有限公司 (in English, for identification purpose, Shanghai Wang Yan Network Technology Co., Ltd. (“**Shanghai Wang Yan**”)), a company which is principally engaged in the technology development of the internet technology products and a memorandum of understanding was entered into by the Group with such company on 15 July 2014.

Health check business

On 26 May 2014, the Group entered into a memorandum of understanding (“**Memorandum**”) in relation to the possible investment by the potential investor in Luck Key Investment Limited (“**Luck Key**”, together with its subsidiaries, “**Luck Key Group**”), a wholly-owned subsidiary of the Group. Luck Key Group is a group principally engaged in the provision of medical diagnostic and health check services in Hong Kong. The Memorandum is in line with the Group’s plan to allocate more of its internal resources to the development of mobile-online game business.

Money lending business

On 13 June 2014, the Group entered into a sale and purchase agreement to dispose of China Rich Finance limited, which is engaged in the money lending business. As at the Latest Practicable Date, the Group is in the process of applying for a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) for one of its wholly-owned subsidiaries to carry on its money lending business. The Group will pay close attention to the market conditions so as to capture business opportunities in this segment.

Investment properties

On 22 May 2014, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Funa Assets Limited (“**Funa Assets**”), and completion of the disposal took place on 26 June 2014. The principal assets of Funa Assets are the investment properties situated in Hong Kong (“**Properties**”). The Group considers that the disposal represents a good opportunity to realise its investment in the properties and can provide capital and resources for the operation and development of the Group.

Proceeds of the Subscription

The aggregate gross proceeds of the Subscription will be approximately HK\$44.97 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$44.47 million, representing a net issue price of approximately HK\$0.117 per Subscription Share. The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK\$20.47 million for investment in mobile-online game business as well as its related services offering when opportunities arise; and (ii) approximately HK\$24 million for repayment of borrowings of the Group, which principal amount are in the total sum of HK\$24 million and will become due in December 2014. As at

LETTER FROM THE BOARD

the Latest Practicable Date, the Company was (1) in negotiation with Independent Third Parties about the Group's possible investment in companies engaging in mobile game integral marketing services; (2) in negotiation with Independent Third Parties about the Group's possible investment in Shanghai Wang Yan; and (3) considering to acquire additional interest in Mighty Eight Investments Limited, which was owned as to 18% by the Group as at the Latest Practicable Date. If no investment opportunities arise or materialise, the Company intends to place the relevant proceeds on short term deposits with licensed banks in Hong Kong.

Save that the Company had borrowed approximately HK\$15,170,000 for completion of the acquisition of additional 13% interest in Mighty Eight Investments Limited, which took place on 14 July 2014, details of which are set out in the Company's circular dated 19 June 2014 and announcement of the Company dated 14 July 2014, and the Subscription, the Company did not have any arrangement, intention, understanding or negotiation about any possible fund raising exercise (both debt and equity financial) as at the Latest Practicable Date.

The Directors are of the opinion that, after taking into account all its repayment obligations, funding needs arising from the investments and acquisition, previous fund raising exercises and the financial resources presently available to the Group, in the absence of unforeseeable circumstances, the Group has sufficient working capital for its present requirements that is for at least the next twelve months from the date of this circular.

The Directors consider that the Subscription represents an opportunity to raise additional fund at a reasonable cost to support the Group's investment in the future and reduce the indebtedness of the Group. In addition, the Company believes that as the Subscriber is wholly-owned by Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board, Mr. Zhang Xiongfeng will be more committed to the furtherance of the development of the Group's business.

The Directors have considered alternative fund raising methods. The Directors have considered debt financing. However, if the Group raise fund through borrowings, the finance costs and gearing ratio of the Group shall increase. The Directors have also considered pre-emptive share issuance such as rights issue and open offer. However, the documentation involved in a rights issue or open offer is more complicated and the preparation time is longer as compared to subscription of shares. As the Subscriber has indicated its interest to invest in the Company on terms which the Directors consider as fair and reasonable and in the interests of the Company and its shareholders as a whole and taking into account that fund raising exercise with Independent Third Party (such as subscription by other potential investors or placing of securities to Independent Third Party) will be more costly in light of payment of placing commission and/or will involve lengthy discussion and negotiation, the Company has not approached other potential investors. Taking into consideration of the above, the Directors consider that it is in the interest of the Group to raise fund through the Subscription.

The Directors consider that the terms of the Subscription Agreement are fair and reasonable and in the interests of the Company and its shareholders as a whole.

LETTER FROM THE BOARD

CHANGES ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of the Company as at the Latest Practicable Date and the shareholding structure of the Company upon issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)) are set out below:

Shareholders	As at the Latest Practicable Date		Immediately after Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
China New Economy Fund Limited	274,608,000	14.41	274,608,000	12.01
Public Shareholders	1,630,844,430	85.59	1,630,844,430	71.32
The Subscriber	—	—	381,078,000	16.67
Total	<u>1,905,452,430</u>	<u>100.00</u>	<u>2,286,530,430</u>	<u>100.00</u>

LETTER FROM THE BOARD

FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

Apart from the fund raising activities mentioned below, the Company has not carried out other fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

Date of announcement	Fund raising activity	Intended use of net proceeds (approximately)	Actual use of the net proceeds as at the Latest Practicable Date
6 June 2014 and 16 June 2014	Issue of 224,166,000 Shares on 16 June 2014 pursuant to the subscription agreement dated 6 June 2014	HK\$22.2 million, (i) approximately HK\$5.2 million of which was intended to be used for funding the consideration of the subscription of 125 new shares in Youle Holdings Limited at the subscription price of an aggregate of RMB4,166,700, details of which are set out in the announcement of the Company of the Company dated 28 May 2014 and completion of such subscription is expected to take place by July 2014; and (ii) approximately HK\$17 million of which was intended to be applied as general working capital of the Group	The net proceeds had not been utilised.
21 March 2014	Rights issue on the basis of one rights Share for every two Shares held on 23 April 2014 at the subscription price of HK\$0.128 per rights Share	HK\$68.8 million, (i) HK\$2 million of which was intended to be applied for developing the Group's mobile-online game business, including design and research and development of mobile-online games and identifying and securing intellectual property rights, and such HK\$2 million is intended to be used to pay up the registered capital of a wholly owned subsidiary of the Company by August 2014 as set out in the Company's announcement dated 2 July 2014; (ii) HK\$61.8 million of which was intended to be applied for the acquisition of 13% issued share capital of Mighty Eight Investments Limited, details of which are set out in the announcement of the Company dated 2 April 2014 and circular of the Company dated 19 June 2014, and completion of such acquisition took place on 14 July 2014; and (iii) HK\$5 million of which was intended to be applied for general working capital of the Group	Save that approximately HK\$2 million have been utilised for general working capital and that HK\$61.8 million have been utilised for the acquisition of 13% issued share capital of Mighty Eight Investment Limited details of which are set out in the circular of the Company dated 19 June 2014 and announcement of the Company dated 14 July 2014, the remaining net proceeds had not been utilised.

LETTER FROM THE BOARD

Date of announcement	Fund raising activity	Intended use of net proceeds (approximately)	Actual use of the net proceeds as at the Latest Practicable Date
12 November 2013 and 29 January 2014	Placing of 110,000,000 new Shares at HK\$0.128 per Share pursuant to the general mandate granted to the Directors by the Shareholders at the annual general meeting of the Company held on 15 May 2013	HK\$13.4 million was intended to be applied to the development of and investment in software products including but not limited to financial-related software, online games as well as their related service offerings (“Development Plan”). It is proposed that such proceeds will be used in the acquisition of 5% issued share capital of Mighty Eight Investments Limited	The entire net proceeds had been used for the acquisition of 5% issued share capital of Mighty Eight Investments Limited, details of which are set out in the announcement of the Company dated 29 January 2014.
12 November 2013 and 29 January 2014	Placing of 190,000,000 new Shares at HK\$0.128 per Share pursuant to the specific mandate granted to the Directors by the Shareholders at the extraordinary general meeting of the Company held on 14 January 2014	HK\$23.1 million was intended to be applied to the possible acquisition of a group of companies principally engaging in the development and operation of mobile online games and the Development Plan. It is proposed that such proceeds will be used in the acquisition of 5% issued share capital of Mighty Eight Investments Limited, details of which are disclosed in the announcement of the Company dated 29 January 2014	The entire net proceeds had been used for acquisition of 5% issued share capital of Mighty Eight Investments Limited, details of which are disclosed in the announcement of the Company dated 29 January 2014.

GEM LISTING RULES IMPLICATION

Since the Subscriber is beneficially owned by Mr. Zhang Xiongfeng, who is an executive Director and the chairman of the Board, the Subscriber is a connected person of the Company and the Subscription constitutes a connected transaction of the Company under the GEM Listing Rules and is subject to reporting, announcement and Independent Shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules.

LETTER FROM THE BOARD

(2) CONDITIONAL GRANT OF THE DIRECTOR OPTIONS

On 19 June 2014 the Company conditionally granted to Mr. Zhang Xiongfeng, an executive Director and chairman of the Board, and Mr. Zhang Peiao, an executive Director and the chief executive officer of the Company, the Director Options under the Share Option Scheme. Details of the Director Options are set out below:

Subscription price	:	HK\$0.14 per Share
Total number of underlying Shares	:	57,163,573 Shares (Zhang Xiongfeng) 38,109,049 Shares (Zhang Peiao)
Vesting date of the Director Options	:	31 December 2015
Validity period of the Director Options	:	1 January 2016 to 30 June 2016
Consideration for the grant of each of the Director Options	:	HK\$1.00 to be paid by each of the Director Grantees upon the acceptance of the Options granted

There is no performance target which must be achieved before exercise of the respective Director Options by each of Mr. Zhang Xiongfeng and Mr. Zhang Peiao.

As at the Latest Practicable Date, the issued share capital of the Company was approximately HK\$19,054,524.30 comprising 1,905,452,430 Shares. Exercise of the respective Director Options granted to Mr. Zhang Xiongfeng in full will entitle Mr. Zhang Xiongfeng to subscribe for 57,163,573 Shares, representing approximately 3% of the issued share capital of the Company as at the Latest Practicable Date. Exercise of the respective Director Options granted to Mr. Zhang Peiao in full will entitle Mr. Zhang Peiao to subscribe for 38,109,049 Shares, representing approximately 2% of the issued share capital of the Company as at the Latest Practicable Date.

The conditional grant of the Director Options had been reviewed and approved by the independent non-executive Directors in accordance with Rule 23.04(1) of the GEM Listing Rules.

LETTER FROM THE BOARD

Conditions

Pursuant to the Note to Rule 23.03(4) of the GEM Listing Rules, where a grant of options to a grantee will result in the Shares issued and to be issued upon exercise of the options granted (including exercised and outstanding options) in the 12-month period exceeding the Individual Limit, the grant of options to the grantee must be approved by Shareholders at a general meeting at which the grantee and his close associates shall abstain from voting.

In addition, pursuant to Note 1 to Rule 23.03(3) of the GEM Listing Rules, the total number of Securities which may be issued upon exercise of all options to be granted under the Share Option Scheme (excluding options lapsed in accordance with the terms of the Share Option Scheme) and any other schemes of the Company must not in aggregate exceed the 10% General Limit.

As (a) the total number of Shares issued and to be issued upon exercise of each of the Director Options exceeded the Individual Limit; and (b) the grant of the Director Options is beyond the 10% General Limit, the grant of each of the Director Options is conditional upon:

- (1) the approval by the Shareholders at the EGM in accordance with the Note to Rule 23.03(4) of the GEM Listing Rules;
- (2) the approval of the refreshment of the 10% General Limit by the Shareholders at the EGM; and
- (3) the Listing Approval of the Shares which may fall to be allotted and issued pursuant to the exercise of the options granted under the refreshed 10% General Limit.

Reasons for and benefits of the grant of the Director Options

As each of Mr. Zhang Xiongfeng and Mr. Zhang Peiao have made great efforts to the development of the Group as executive Directors, the Directors consider that the grant of the Director Options will incentivize the Director Grantees to make further contribution to the future development of the Group. As such, the Directors consider that the grant of the Director Options is in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

(3) PROPOSED REFRESHMENT OF 10% GENERAL LIMIT UNDER THE SHARE OPTION SCHEME

Under the rules of the Share Option Scheme:

- (1) the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group is subject to the 10% General Limit; and
- (2) the maximum number of Shares which may be issued upon the exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of the Group must not in aggregate exceed 30% of the Shares in issue from time to time ("**30% Overall Limit**").

The Company may seek approval from the Shareholders in general meeting for refreshing the 10% General Limit so that the maximum number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group shall be re-set at 10% of the Shares in issue as at the date of approval of the limit as "refreshed". In this connection, options previously granted under the Share Option Scheme and any other share option schemes of the Group (including options outstanding, cancelled, lapsed or exercised) will not be counted for the purpose of calculating the 10% General Limit as "refreshed".

The Share Option Scheme was adopted on 10 November 2010 and as the date of adoption of the Share Option Scheme, the total number of shares of HK\$0.01 each of the Company that may fall to be allotted and issued upon exercise of the options to be granted in full under the Share Option Scheme was 91,353,699. The 10% General Limit was refreshed pursuant to an ordinary resolution passed by the Shareholders at the AGM, and the maximum number of shares of the Company which may be issued upon exercise of all options that may be granted under the existing 10% General Limit is 112,085,762 shares of HK\$0.10 each.

LETTER FROM THE BOARD

Outstanding options since the refreshment of 10% General Limit at the AGM

The following table sets out the details of the Company's share options since the 10% General Limit was refreshed at the AGM, i.e. 30 April 2014:

	Total number of underlying shares
Granted and remain outstanding as at the Latest Practicable Date	95,272,620 shares (Notes 1 and 2)
May be granted	16,813,142 shares (Note 2)

Notes:

1. As set out in the Company's announcement dated 19 June 2014, all of these options were granted on 19 June 2014 to five Eligible Participants under the Share Option Scheme, with the exercise price being HK\$0.14 per Share, the vesting date of the options on 31 December 2015 and the exercise period being 1 January 2016 to 30 June 2016.
2. This has not taken into account the conditional grant of the Director Options.

Since 30 April 2014, no options was exercised, lapsed or cancelled.

Reasons for and benefits of the proposed refreshment of 10% General Limit under the Share Option Scheme

The purpose of the Share Option Scheme was to enable the Company to grant options to the Eligible Participants, who, in the sole discretion of the Board, have made or may make contribution to the Group as well as to provide incentives to those persons and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct interest in attaining the long terms business objectives of the Group. As set out above, unless the 10% General Limit is refreshed in accordance with the rules of the Share Option Scheme, the Director Options may not be granted and the Share Option Scheme cannot continue to serve such intended purpose for the benefits of the Group and the Shareholders. As such, the Directors consider that it is in the interests of the Company and the Shareholders as a whole to grant the refreshment of the 10% General Limit, and the Directors will propose the passing of the ordinary resolution at the EGM for "refreshing" the 10% General Limit.

LETTER FROM THE BOARD

Effect of the proposed refreshment of the 10% General Limit on the Company's shareholding structure

As at the Latest Practicable Date, the total number of Shares in issue was 1,905,452,430.

Upon the proposed refreshment of the 10% General Limit and assuming the total number of Shares in issue remains unchanged as at the date of the EGM, the Company may grant options to Eligible Participants to subscribe for a maximum of 190,545,243 Shares, being 10% of the Shares in issue as at the date of approval of the proposed refreshment of the 10% General Limit. As the Director Options will be granted under the refreshed 10% General Limit to be obtained at the EGM, the Company will only be able to grant options to subscribe for 95,272,621 Shares under the refreshed 10% General Limit.

Conditions for the proposed refreshment of 10% General Limit under the Share Option Scheme

The refreshment of the 10% General Limit is conditional upon:

- (a) the passing of an ordinary resolution by the Shareholders at the EGM to approve the proposed refreshment of 10% General Limit under the Share Option Scheme; and
- (b) the Listing Approval of such number of Shares, representing 10% of the issued Shares as at the date of the EGM, which may fall to be allotted and issued pursuant to the exercise of the options to be granted under the Share Option Scheme within the 10% General Limit so refreshed.

Application for listing

Application will be made to the Stock Exchange for the Listing Approval of such number of Shares which may fall to be allotted and issued pursuant to the exercise of the options granted within the 10% General Limit refreshed at the EGM.

(4) PROPOSED REFRESHMENT OF THE GENERAL MANDATE TO ISSUE SHARES

Pursuant to an ordinary resolution passed by the Shareholders at the AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 224,171,524 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. There had not been any refreshment of the Current Issue Mandate since the AGM up to the Latest Practicable Date.

LETTER FROM THE BOARD

Fund raising activities under the Current Issue Mandate

That the Company has utilised the Current Issue Mandate for the issue of 224,166,000 Shares on 16 June 2014 pursuant to the subscription agreement dated 6 June 2014, details of which are disclosed under the paragraph headed “Fund raising activities in the past twelve-month period” in the letter from the Board in this circular. Save as disclosed in that paragraph, the Company has not carried out other fund raising activities under the Current Issue Mandate since the AGM up to the Latest Practicable Date.

Extent of Current Issue Mandate utilised

Subsequent to the issue of 224,166,000 Shares on 16 June 2014 as disclosed above, only 5,524 Shares remain issuable under the Current Issue Mandate as at the Latest Practicable Date. Such number only represents a negligible percentage of the issued Shares as at the Latest Practicable Date.

Reasons for the proposed refreshment of Current Issue Mandate

As set out above, as the Current Issue Mandate has nearly been utilised in full, in order to maintain the flexibility for any future allotment and issue of Shares by the Directors on behalf of the Company as and when necessary, it is proposed that the Board shall seek approval of the Shareholders for the grant of the Refreshed Issue Mandate at the EGM, the Directors consider that the refreshment of the Current Issue Mandate will enable the Company to respond to the market and the investment opportunities promptly, should funding needs arise or attractive terms for investment in the Shares become available from potential investors. As such, the Board proposes the Refreshed Issue Mandate shall be granted to the Directors.

Effect of the proposed refreshment of Current Issue Mandate on the Company’s shareholding structure

Based on the total number of issued Shares as at the Latest Practicable Date (i.e. 1,905,452,430 Shares) and assuming that there is no change in the issued share capital of the Company prior to the date of the EGM, the Refreshed Issue Mandate, if granted, will allow the Directors to allot and issue up to 381,090,486 new Shares.

The Refreshed Issue Mandate, if granted, will expire at the earliest of: (a) the conclusion of the next annual general meeting of the Company; (b) the expiration of the period within which the Company is required by the Articles of Association or any applicable laws to hold its next annual general meeting; and (c) when revoked or varied by an ordinary resolution of the Shareholders in a general meeting prior to the next annual general meeting of the Company.

LETTER FROM THE BOARD

EGM

As such, the EGM will be held at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong on Tuesday, 12 August 2014 at 9:00 a.m. for the Independent Shareholders to consider and approve, if thought fit, (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate, and for the Shareholders to consider and approve (i) the grant of the Director Options; and (ii) refreshment of 10% General Limit under the Share Option Scheme.

The notice of the EGM is set out on pages EGM-1 to EGM-5 of this circular. 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.

VOTING AT THE EGM

Pursuant to Rule 17.47(4) of the GEM Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions set out in the notice of the EGM will be voted on by way of poll.

As Mr. Zhang Xiongfeng is the sole and beneficial owner of Turbo Pointer Limited, he is a connected person with a material interest in the Subscription. As such, Mr. Zhang Xiongfeng and his close associates are required to abstain from voting on the resolution regarding the Subscription and the grant of the Specific Mandate at the EGM, pursuant to Rule 20.34 of the GEM Listing Rules. As at the Latest Practicable Date, Mr. Zhang Xiongfeng and his close associates did not own any Shares. In addition, Mr. Zhang Xiongfeng was required to abstain and has abstained from voting on the board resolution approving the Subscription and the transactions contemplated thereunder.

Each of Mr. Zhang Xiongfeng and Mr. Zhang Peiao and their respective close associates are required to abstain from voting on the resolution regarding the grant of the Director Options at the EGM, pursuant to the requirement in the Note to Rule 23.03(4) of the GEM Listing Rules. As at the Latest Practicable Date, each of Mr. Zhang Xiongfeng and Mr. Zhang Peiao and their respective close associates did not own any Shares.

LETTER FROM THE BOARD

As the Company has no controlling Shareholders as at the Latest Practicable Date, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution regarding the proposed grant of the Refreshed Issue Mandate at the EGM, pursuant to Rule 17.42A(1) of the GEM Listing Rules. As at the Latest Practicable Date, none of the Directors and the chief executive of the Company and their respective associates own any Shares.

Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder will be required to abstain from voting on the resolutions to be proposed.

RECOMMENDATIONS

The Independent Board Committee, comprising Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing, all being independent non-executive Directors, has been established to advise the Independent Shareholders on (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate. Aviate Beijing Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate.

Your attention is drawn to the letter of recommendation from the Independent Board Committee set out on pages 26 to 27 of this circular and the letter of advice from the Independent Financial Adviser set out on pages 28 to 49 of this circular, which contains, among other matters, its advice to the Independent Board Committee and the Independent Shareholders in relation to (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate, and the principal factors considered by the Independent Board Committee in arriving at its recommendations.

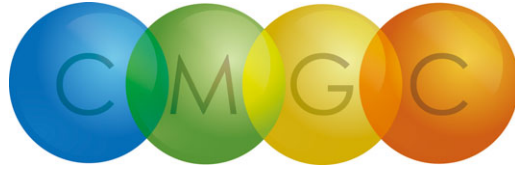
The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, is of the opinion that (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and its Shareholders as a whole and accordingly recommends the Independent Shareholders to vote in favour of the resolutions relating to (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate to be proposed at the EGM.

LETTER FROM THE BOARD

Accordingly, the Directors (including the independent non-executive Directors) consider that (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Therefore, the Directors (including the independent non-executive Directors) recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

The Directors (including the independent non-executive Directors) also consider that (i) the grant of each of the Director Options; and (ii) the proposed refreshment of the 10% General Limit under the Share Option Scheme are in the interests of the Company and the Shareholders as a whole. Therefore, the Directors recommend the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

By order of the Board
China Mobile Games and Cultural Investment Limited
Kenneth Hung
Executive Director



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)

21 July 2014

To the Independent Shareholders

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION OF
SHARES UNDER SPECIFIC MANDATE
AND
(2) PROPOSED REFRESHMENT OF
THE GENERAL MANDATE TO ISSUE SHARES**

We refer to the circular of the Company dated 21 July 2014 (“**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders on (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate.

We wish to draw your attention to the letter from the Board and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate, which form part of the Circular.

Having considered the advice of Aviate Beijing Capital Limited, we consider that (i) the Subscription and the grant of the Specific Mandate are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole; and (ii) the proposed grant of the Refreshed Issue Mandate is fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote at the EGM in favour of the ordinary resolutions set out in the notice of EGM to approve (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate.

Yours faithfully
For and on behalf of the
Independent Board Committee

Wong Siu Keung, Joe
Independent
Non-executive Director

Wong Ching Yip
Independent
Non-executive Director

Luk Chi Shing
Independent
Non-executive Director

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of a letter of advice from Aviate Beijing Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of incorporation into this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate.



19th Floor
China Hong Kong Tower
8 Hennessy Road
Wanchai
Hong Kong

21 July 2014

To the Independent Board Committee and the Independent Shareholders
China Mobile Games and Cultural Investment Limited
Unit 1801
18/F., Jubilee Centre
46 Gloucester Road
Wanchai
Hong Kong

Dear Sir or Madam,

**(1) CONNECTED TRANSACTION INVOLVING SUBSCRIPTION
OF SHARES UNDER SPECIFIC MANDATE
AND
(2) PROPOSED REFRESHMENT OF
THE GENERAL MANDATE TO ISSUE SHARES**

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate, details of which are set out in the “Letter from the Board” contained in the circular issued by the Company to its Shareholders dated 21 July 2014 (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meaning as defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

On 18 June 2014 (after trading hours), the Company entered into the Subscription Agreement with the Subscriber, pursuant to which the Company has conditionally agreed to allot and issue, and the Subscriber has conditionally agreed to subscribe for 381,078,000 Subscription Shares at the Subscription Price of HK\$0.118 per Subscription Share. The Subscription Shares represent (i) approximately 20% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)).

Since the Subscriber is beneficially owned by Mr. Zhang Xiongfeng, who is an executive Director and the chairman of the Board, and hence a connected person of the Company under Rule 20.07 of the GEM Listing Rules, the Subscription constitutes a connected transaction of the Company and is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules. Mr. Zhang Xiongfeng is the sole and beneficial owner of the Subscriber, he is a connected person with a material interest in the Subscription. As such, Mr. Zhang Xiongfeng and his close associates are required to abstain from voting on the resolution to be proposed at the EGM regarding the Subscription and the grant of the Specific Mandate pursuant to Rule 20.34 of the GEM Listing Rules.

Pursuant to an ordinary resolution passed by the Shareholders at the AGM, the Directors were granted the Current Issue Mandate to allot and issue up to 224,171,524 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. The Company has utilised the Current Issue Mandate for the issue of 224,166,000 Shares on 16 June 2014 pursuant to the subscription agreement dated 6 June 2014, details of which are disclosed under the paragraph headed "Fund raising activities in the past twelve-month period" in the letter from the Board in the Circular. Subsequent to the issue of 224,166,000 Shares on 16 June 2014 as disclosed above, only 5,524 Shares remain issuable under the Current Issue Mandate as at the Latest Practicable Date.

The Board proposes to seek approval from the Shareholders for the grant of the Refreshed Issue Mandate at the EGM in order to maintain the flexibility for any future allotment and issue of Shares by the Directors on behalf of the Company as and when necessary. As the Company has no controlling Shareholders as at the Latest Practicable Date, the Directors (excluding independent non-executive Directors) and the chief executive of the Company and their respective associates shall abstain from voting in favour of the resolution to be proposed at the EGM regarding the proposed refreshment of the Current Issue Mandate pursuant to Rule 17.42A(1) of the GEM Listing Rules.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing, has been formed to advise the Independent Shareholders as to whether (i) the principal terms of the Subscription Agreement and the transactions contemplated thereunder including the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote on the resolutions at the EGM. As the independent financial adviser, our role is to give an independent opinion to the Independent Board Committee and the Independent Shareholders in such regard.

BASIS OF OUR ADVICE

In formulating our recommendation, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Company and its advisers; (iii) the opinions expressed by and the representations of the Directors and management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects at the date thereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of such information and representations provided to us by the management of the Group, the Directors and the advisers of the Company. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations regarding the Company, the Subscription, and the proposed Refreshed Issue Mandate provided to us by the Company and/or the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the EGM.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of its subsidiaries and associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our recommendation to the Independent Board Committee and the Independent Shareholders in respect of (i) the Subscription and the grant of the Specific Mandate; and (ii) the proposed grant of the Refreshed Issue Mandate, we have taken into consideration the following factors and reasons:

1. Information on the Group

According to the Letter from the Board, 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 of licensing; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services (the “**Health Check Business**”); and (v) securities investment business.

A. Financial information of the Group

Set out below is the financial summary of the Group for the two years ended 31 December 2013 as extracted from the annual report of the Company for the year ended 31 December 2013 (the “**2013 Annual Report**”) and for the three months ended 31 March 2014 as extracted from the Company’s first quarterly report for the three months ended 31 March 2014 (the “**2014 First Quarterly Report**”):

	For the three months		For the year ended	
	ended 31 March		31 December	
	2014	2013	2013	2012
	(unaudited)	(unaudited)	(audited)	(audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	43,635	47,138	99,557	106,604
Total comprehensive loss for the period/year attributable to:				
Shareholders of the Company	(20,133)	(1,741)	(8,847)	(21,076)
Non-controlling interests	(167)	–	(756)	–

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER
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	As at 31 December	
	2013	2012
	(audited) <i>HK\$'000</i>	(audited) <i>HK\$'000</i>
Current assets	100,143	133,764
Current liabilities	14,698	6,951
Net current assets	85,445	126,813
Net assets	162,742	113,538
Equity attributable to Shareholders of the Company	161,911	113,538

As set out in the 2013 Annual Report, the Group recorded revenue of approximately HK\$99.6 million (2012: approximately HK\$106.6 million), decreased by 6.6% year over year. The decrease was mainly attributed to the decrease in revenue arising from the IT business. For the year ended 31 December 2013, revenue arising from the IT business decreased by approximately 52.4% from approximately HK\$101.8 million for the year ended 31 December 2012 to approximately HK\$48.5 million for the year ended 31 December 2013. The IT business segment loss increased from HK\$228,000 for the year ended 31 December 2012 to approximately HK\$684,000 for the year ended 31 December 2013 due to fierce competition in sales of hardware products. In order to improve profit margin, the Group invested more resources on IT software products rather than on the sale of IT hardware products. During the year ended 31 December 2013, the Group explored the feasibility in developing software products, including but not limited to financial-related software, online games, mobile games as well as related service offerings.

The total comprehensive loss attributable to Shareholders of the Company amounted to approximately HK\$8.8 million for the year ended 31 December 2013 (2012: approximately HK\$21.1 million), reduced by approximately HK\$12.3 million as compared with the previous year. The improved results were mainly attributable to (i) gain on bargain purchase for the acquisition of the Health Check Business of approximately HK\$8.3 million; (ii) gain on disposals of subsidiaries of approximately HK\$1.9 million; and (iii) gain on disposal of investment in fish breeding business of approximately HK\$1.2 million.

As at 31 December 2013, the Company had net assets of approximately HK\$162.7 million and a gearing ratio (calculated on the basis of total liabilities to total assets) of approximately 0.083.

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For the three months ended 31 March 2014, the total revenue of the Group was approximately 43.6 million, representing a decrease of approximately 7.4% from the previous corresponding period. The Group has scaled down its business on sales of IT hardware products, resulting in a significant decrease of approximately 98.6% in revenue from the Group's IT business from approximately HK\$45.8 million for the three months ended 31 March 2013 to approximately HK\$0.63 million for the three months ended 31 March 2014; which offset by the increase in revenue from the Health Check Business of approximately HK\$42.9 million for the three months ended 31 March 2014. The Group acquired the Health Check Business only in the second half of 2013 and there was no such source of revenue for the three months ended 31 March 2013.

The total comprehensive loss attributable to Shareholders of the Company amounted to approximately HK\$20.1 million for the period ended 31 March 2014 (2013: approximately HK\$1.7 million), increased by approximately HK\$18.4 million as compared with the corresponding period in 2013. The significant increase in total comprehensive loss attributable to Shareholders of the Company 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 first quarter of 2014; (ii) the Group has scaled down its business on sales of IT hardware products during the period under review, 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.

B. Updates on the business of the Group

Saved for the updates of the business segments as set out below, there is no material change in other business segments of the Group from those disclosed in the 2014 First Quarterly Report.

(i) Mobile-online game business

As disclosed in the Letter from the Board, the Group aims to develop as one of the leading players in the 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. 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.

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As disclosed in the Letter from the Board, the completion of the First Acquisition has taken place in June 2014. On 2 April 2014, the Group and the original parties to the First Acquisition, entered into another sale and purchase agreement, pursuant to which the Group agreed to conditionally acquire additional 13% issued share capital of Mighty Eight Investments Limited (“**Mighty Eight**”, together with its subsidiaries, the “**Mighty Eight Group**”) at the consideration of HK\$113.97 million (subject to adjustment) (the “**Second Acquisition**”). The Second Acquisition has been approved by a special resolution passed at extraordinary general meeting of the Company held on 7 July 2014 and completed on 14 July 2014. Details of which were set out in the Company’s announcements dated 2 April 2014 and 14 July 2014 and circular dated 19 June 2014, respectively. Upon the completion of the Second Acquisition, Mighty Eight is owned as to 18% by the Group.

As stated in the Letter from the Board, the completion of the WildHammer Subscription is expected to take place by the end of July 2014. In addition, the Group has been granted with the WildHammer Licence, details of which were set out in the Company’s announcement dated 28 May 2014. On 24 June 2014, the Group entered into a license agreement with HK SBT to which the Group granted the operating licence of “The Rune Rush” under the WildHammer Licence to HK SBT. The Directors consider that the substantial experience of HK SBT in operation of mobile-online games will assist the Group to perform its obligations under the WildHammer Licence. It is expected that “The Rune Rush” will commence to derive income to the Group in August 2014.

With reference to the Letter from the Board, on 30 June 2014, a WOFE was established in the PRC which will be engaging in technology development, technology advisory, technology services, transfer of internet technology; design, development and production of software; design and development of game and comic software; sale of self-developed products and provision of related technological advisory services; and wholesale, import and export of the products described above and products of same class. The WOFE will commence the design and development of a new innovative RPG mobile-online game, which is targeted to be launched and expected to commence to generate income for the Group in the fourth quarter of 2014.

As disclosed in the Letter from the Board, the Group is also exploring the opportunity to invest in Shanghai Wang Yan, a company which is principally engaged in the technology development of the internet technology products and a memorandum of understanding was entered into by the Group with such company on 15 July 2014.

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(ii) Health Check Business

As disclosed in the Letter from the Board, on 26 May 2014, the Group entered into the Memorandum in relation to the possible investment by the potential investor in Luck Key, a wholly-owned subsidiary of the Group. Luck Key Group is a group principally engaged in the Health Check Business in Hong Kong. The Memorandum is in line with the Group's plan to allocate more of its internal resources to the development of the mobile-online game business.

(iii) Money lending business

With reference to the Letter from the Board, on 13 June 2014, the Group entered into a sale and purchase agreement to dispose of China Rich Finance limited, which is a wholly-owned subsidiary of the Group and engaged in money lending business. Also, as disclosed in the Letter from the Board, as at the Latest Practicable Date, the Group is in the process of applying for a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) for one of its wholly-owned subsidiaries to carry on its money lending business. The Group will pay close attention to the market conditions so as to capture business opportunities in this segment.

(iv) Properties investment business

With reference to the Letter from the Board, on 22 May 2014, the Group entered into a sale and purchase agreement to dispose of the entire issued share capital of Funa Assets, and completion of the disposal took place on 26 June 2014. The principal assets of Funa Assets are the investment properties situated in Hong Kong. The Group considers that the disposal represents a good opportunity to realise its investment in those properties and can provide capital and resources for the operation and development of the Group.

2. Reasons for and benefits of the Subscription

Details on the reasons for and benefits of the Subscription considered by the Company are set out in the section headed "Reasons for and benefits of the Subscription" in the Letter from the Board.

A. *The Company's cash position*

We were given to understand that, as at 30 June 2014, the consolidated cash and bank balances of the Group amounted to approximately HK\$149 million. As advised by the management of the Company, the completion of the Second Acquisition at a consideration of approximately HK\$113.97 million is

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completed on 14 July 2014, details of which are disclosed in the Company's circular and announcement dated 19 June 2014 and 14 July 2014, respectively. Such consideration was settled in cash with approximately HK\$98.8 million settled by the Group's existing cash and bank balances and the remaining HK\$15.17 million was settled and financed by borrowings. With reference to the Letter from the Board, approximately HK\$5.2 million will be used for the subscription of 125 new shares in Youle Holdings Limited and the completion of such subscription is expected to take place by the end of July 2014, details of which are disclosed in the Company's announcement dated 28 May 2014. Furthermore, as stated in the Letter from the Board, approximately HK\$2 million will be used to pay up the registered capital of a wholly-owned subsidiary of the Company by August 2014, details of which are disclosed in the Company's announcement dated 2 July 2014.

As disclosed in the Letter from the Board, the Directors are of the opinion that, after taking into account all its repayment obligations, funding needs arising from the investments and acquisition, previous fund raising exercise and the financial resources presently available to the Group, in the absence of unforeseeable circumstances, the Group has sufficient working capital for its present requirements that is for at least the next twelve months from the date of the Circular.

B. Use of proceeds of the Subscription

As disclosed in the Letter from the Board, the aggregate gross proceeds of the Subscription will be approximately HK\$44.97 million and the aggregate net proceeds of the Subscription, after deduction of expenses, are estimated to be approximately HK\$44.47 million, representing a net issue price of approximately HK\$0.117 per Subscription Share. The Company intends to apply the net proceeds from the Subscription as to (i) approximately HK\$20.47 million for investment in mobile-online game business as well as its related services offering when opportunities arise; and (ii) approximately HK\$24 million for repayment of borrowings of the Group, which principal amount are in the total sum of HK\$24 million and will become due in December 2014.

As advised by the management of the Company, as at the Latest Practicable Date, the Company was (i) in negotiation with Independent Third Parties about the Group's possible investment in companies engaging in mobile-online game integral marketing services; (ii) in negotiation with Independent Third Parties about the Group's possible investment in Shanghai Wang Yan; and (iii) considering to acquire additional equity interests in Mighty Eight, which was owned as to 18% by the Group as at the Latest Practicable Date. If no investment opportunity arise or materialise, the Company intends to place the relevant proceeds on short term deposits with licensed banks in Hong Kong.

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As advised by the management of the Company, the Company intends to use part of the net proceed of approximately HK\$24 million for repayment of borrowings of the Group (the “**Borrowings**”). We are given to understand that the Company entered into loan agreements with independent third parties and the total outstanding principal amounts of the Borrowings, as at the Latest Practicable Date, amounted to HK\$24 million which are unsecured and short term in nature, carry interest rate at 10% to 12% per annum and due in December 2014. The Borrowings are used for the acquisition of approximately 9.91% of the issued share capital of Universe International Holdings Limited, details of which are disclosed in the Company’s announcements dated 4 March 2014 and 14 March 2014 respectively. The Directors consider that by settling the Borrowings with the proceeds of the Subscription, the financial position of the Group will be strengthened and the liabilities burden of the Group will be lowered. The Subscription will also release the Group from the interest expenses arising from the Borrowings. The improved financial condition, coupling with the improved gearing ratio, will enhance the Group’s existing and potential business expansions.

C. Prospects of the Group

We have reviewed the 2013 Annual Report and noted that the Group has been actively seeking for investment opportunities to tap into the mobile-online game industry since the second half of 2013. As stated in the 2013 Annual Report, the Group has carried out various activities to realize its plan for tapping into the mobile-online gaming market, including but not limited to (i) acquiring equity interests in companies principally engaged in development and operation of mobile online-games which would be distributed to international markets; (ii) entering into agreement in relation to the establishment of a joint venture company which will be principally engaged in the development and sale of computer and mobile phone games; and (iii) entering into exclusive license agreement for the exclusive rights for the development of mobile games and other related products based on the contents of various designated comics series during the licence period.

As disclosed in the 2013 Annual Report, the Group has strived hard to adjust its strategy, diversifying its business from sale of IT hardware products and moving into markets that offer a more satisfactory profit margin. In view of the enormous growth potential of the mobile-online gaming market in the PRC, 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 ended 31 December 2013, 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.

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The Directors are of the opinion that, the mobile-online game industry is booming and it is a right time for the Group to develop itself to be one of the leading players in this industry. As advised by the management of the Company, the mobile game market experienced sharp growth in recent years amid increased penetration of smartphones, rising of consumption capacity as a result of the domestic economic development, and soaring potential demand for games as a way for relaxation and it is the Group's business objective to become one of the leading players in the mobile-online game industry.

The management of the Company has informed us that they believe it would be prudent to maintain a sufficient level of cash balance to satisfy the financial needs for the expansion of the Group's mobile-online game business and its loan repayments plans. We understand from the management of the Company that the funding to be generated from the Subscription will not only enhance the Group's ability in meeting its financial needs in respect of the expansion of the Group's mobile-online game business and its loan repayment plans and obligations, but will also equip the Group with sufficient financial resources to react promptly when appropriate investment opportunities arise.

Having considered the information provided by the Company, our review and analysis mentioned above, and (i) it is the strategy of the Group to develop as one of the leading players in the mobile-online gaming industry; (ii) the possible prospects of the mobile-online game business as advised by the management of the Company; (iii) the Subscription represents an opportunity to raise additional fund at a reasonable cost to support the Group's investment in the future and reduce the indebtedness of the Group; (iv) Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board, will be more committed to the furtherance of the development of the Group's business; and (v) the improved financial condition, coupling with the improved gearing ratio, will enhance the Group's existing and potential business expansions after Completion, we concur with the view of the Directors that the Subscription helps the Group raise funds in meeting its financial needs in respect of the expansion of the Group's mobile-online game business and its loan repayment plans and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Subscription Agreement

The principal terms of the Subscription Agreement are summarized as follows:

Date:

18 June 2014

Parties:

Issuer: The Company

Subscriber: Turbo Pointer Limited, a company incorporated in the British Virgin Islands with limited liability and principally engaged in securities investment business. The Subscriber is a company beneficially and wholly-owned by Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board, and thus is a connected person of the Company for the purpose of Chapter 20 of the GEM Listing Rules.

Subscription Shares:

The 381,078,000 Subscription Shares (of an aggregate nominal value of HK\$3,810,780 after Capital Reorganisation became effective on 11 July 2014) to be allotted and issued under the Subscription represent (i) approximately 20% of the issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than a result of the allotment and issue of the Subscription Shares on Completion)).

Lock-up of Subscription Shares:

During the period of two months from the Completion Date, save with the prior written consent of the Company, the Subscriber shall remain as the sole beneficial owner, free from all encumbrances and third party right, of the Subscription Shares. At any time during the Lock-up Period, the Subscriber shall not offer, pledge, charge, sell, contract to sell, or otherwise transfer or disposed of (nor enter into any agreement to transfer or dispose of or otherwise create any options, rights, interests or encumbrances in respect of), either directly or indirectly, conditionally or unconditionally, the Subscription Shares.

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Subscription Price:

As stated in the Letter from the Board, the Subscription Price was arrived at after arm's length negotiation between the Company and the Subscriber with reference to the recent trading prices of the Shares prior to the date of the Subscription Agreement.

The Subscription Price of HK\$0.118 per Subscription Share represents:

- (i) a discount of approximately 6.35% to the closing price of HK\$0.126 per Share as quoted on the Stock Exchange on 18 June 2014, being the date of the Subscription Agreement;
- (ii) the average of the closing price of HK\$0.118 per Share as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iii) a premium of approximately 3.24% over the average of the closing price of HK\$0.1143 per Share as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement;
- (iv) a discount of approximately 34.08% to the closing price of HK\$0.179 per Share as quoted on the Stock Exchange on the Latest Practicable Date; and
- (v) a discount of approximately 32.14% to the audited consolidated net assets value attributable to the Shareholders of the Company of approximately HK\$0.1739 per Shares as at 31 December 2013.

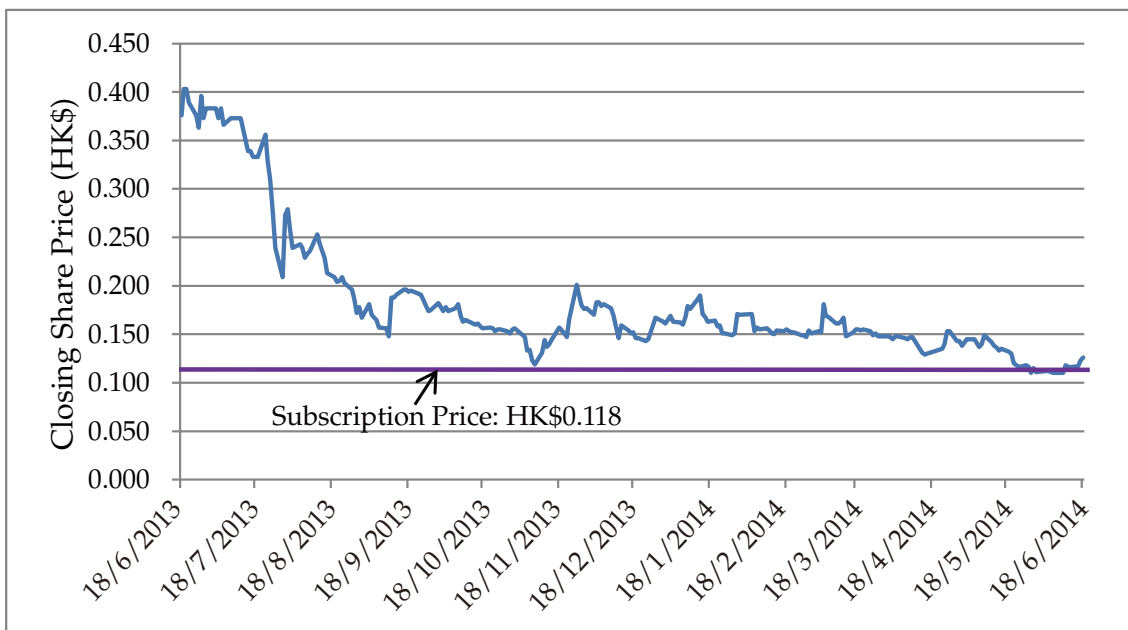
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In assessing the fairness and reasonableness of the Subscription Price, we have reviewed the historical Share price performance and trading volume of the Shares. We have also conducted a comparable analysis through identifying companies listed on the Stock Exchange which announced subscription of new shares by their respective connected person(s) under specific mandate. Detailed analyses are set out below:

(i) Historical Shares price performance review

We have reviewed the historical trading price of the Shares for the period commencing from 18 June 2013, being the 12-month period prior to the date of the Subscription Agreement, up to and including the date of the Subscription Agreement (the “**Review Period**”). The chart below shows the daily closing price of the Shares for the Review Period against the Subscription Price.

Share price performance during the Review Period



Source: The website of the Stock Exchange (www.hkex.com.hk)

During the Review Period, the lowest closing price was HK\$0.110 per Share on 28 May 2014, 6 June 2014, 9 June 2014 and 10 June 2014 respectively and the highest closing price was HK\$0.403 per Share on 19 June 2013 and 20 June 2013 respectively and the Subscription Price is within the range of the closing Share prices of the Company during the Review Period. The daily average closing price per Share for the Review Period was approximately HK\$0.1832. The Subscription Price represents a discount of approximately 35.59% to the daily average closing price per Share for the Review Period. In addition, we also noted that the closing Share prices were traded at or below the Subscription Price for 17 consecutive trading days prior to the date of the Subscription Agreement (i.e. from 22 May 2014 to 16 June 2014).

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After the date of the Subscription Agreement, the Shares were traded above HK\$0.118 up to and including the Latest Practicable Date with a closing price of HK\$0.179 on the Latest Practicable Date.

(ii) Historical Shares trading volume review

We set out below the monthly trading volume, the average daily number of Shares traded per month expressed in (i) number of Shares; (ii) a percentage to the total number of Shares in issue; and (iii) a percentage to the total number of Shares held by public Shareholders as at the Latest Practicable Date:

Month	Total monthly trading volume (in number of shares)	Approximate average daily trading volume (the "Average Trading Volume") (in number of shares) (Note 3)	Percentage of Average Trading Volume to total number of Shares in issue (Approximate %) (Note 4)	Percentage of Average Trading Volume to total number of Shares held by public Shareholders (Approximate %) (Note 5)
2013				
June (Note 1)	35,019,677	3,891,075	0.20	0.24
July	212,027,000	9,637,591	0.51	0.59
August	660,500,000	31,452,381	1.65	1.93
September	817,554,000	40,877,700	2.15	2.51
October	788,023,060	37,524,908	1.97	2.30
November	1,099,968,578	52,379,456	2.75	3.21
December	1,031,396,345	51,569,817	2.71	3.16
2014				
January	1,559,108,879	74,243,280	3.90	4.55
February	751,972,800	39,577,516	2.08	2.43
March	1,267,894,080	60,375,909	3.17	3.70
April	376,977,862	18,848,893	0.99	1.16
May	779,252,768	38,962,638	2.04	2.39
June (Note 2)	359,597,274	29,966,400	1.57	1.84

Source: The website of the Stock Exchange (www.hkex.com.hk)

Notes:

- (1) From 18 June 2013 to 30 June 2013
- (2) From 1 June 2014 to the date of the Subscription Agreement
- (3) Average Trading Volume is calculated by dividing the total trading volume of the Shares for the month/period by the number of trading days during the month/period

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- (4) Based on 1,905,452,430 Shares in issue as at the Latest Practicable Date
- (5) Based on 1,630,844,430 Shares held by public Shareholders as at the Latest Practicable Date

As illustrated from the chart above, during the Review Period, the Average Trading Volume as a percentage of the total number of issued Shares ranged from approximately 0.20% to 3.9% while the Average Trading Volume as a percentage of the total number of Shares held by public Shareholders ranged from approximately 0.24% to 4.55%. Based on the above, we do not consider the trading of the Shares as active during the Review Period.

(iii) Comparison of the other Subscription Price

Based on the information available from the Stock Exchange's website, we have identified, after taken reasonable efforts, an exhaustive list of 16 companies listed on the Main Board or GEM of the Stock Exchange which issued new shares for cash to their respective connected person(s) under specific mandates during the Review Period (the "Comparables"). Details of the Comparables are summarized in the following table:

Date of announcement	Company (stock code)	Subscription price (HK\$)	Premium/(Discount) of the subscription price over/to the closing share price on the last trading day prior to the date of the corresponding announcement (%)	Premium/(Discount) of the subscription price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement (%)
18-Jun-14	Shougang Concord Technology Holdings Limited (521)	0.30	3.33%	3.00%
28-Apr-14	Chinlink International Holdings Limited (997)	0.55	3.77%	4.56%
14-Apr-14	Jun Yang Solar Power Investments Limited (397)	0.10	17.65%	0.40%
4-Apr-14	China City Railway Transportation Technology Holdings Company Limited (1522)	1.25	(26.04)%	(25.77)%
28-Mar-14	ZMFY Automobile Glass Services Limited (8135)	0.55	(34.50)%	(32.10)%
12-Feb-14	China Mengniu Dairy Company Limited (2319)	42.50	15.30%	17.60%

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Date of announcement	Company (stock code)	Subscription price (HK\$)	Premium/(Discount) of the subscription price over/to the closing share price on the last trading day prior to the date of the corresponding announcement (%)	Premium/(Discount) of the subscription price over/to the average closing price of the last 5 trading days prior to the date of the corresponding announcement (%)
29-Jan-14	Bright Smart Securities & Commodities Group Limited (1428)	1.30	(18.24)%	(18.75)%
27-Jan-14	Yusei Holdings Limited (96)	0.80	(5.88)%	(4.76)%
21-Jan-14	Credit China Holdings Limited (8207)	0.80	(13.04)%	(3.38)%
2-Jan-14	Brockman Mining Limited (159)	0.40	(13.98)%	(16.49)%
28-Oct-13	Dore Holdings Limited (628) (Note)	0.65	(8.50)%	(9.20)%
		0.70	(1.40)%	(2.20)%
		0.75	5.60%	4.70%
22-Oct-13	Beautiful China Holdings Limited (706)	0.10	(22.48)%	(22.72)%
2-Oct-13	New Times Energy Corporation Limited (166)	0.61	1.70%	0.00%
30-Sep-13	Guangzhou Shipyard International Company Limited (317)	7.29	(5.32)%	(5.57)%
27-Sep-13	Sino-Ocean Land Holdings Limited (3377)	4.74	1.72%	1.41%
18-Aug-13	Gemdale Properties and Investment Corporation Limited (535)	0.96	(9.43)%	(6.61)%
Maximum			17.65%	17.60%
Minimum			(34.50)%	(32.10)%
Average			(6.10)%	(6.44)%
The Subscription		0.118	(6.35)%	0.00%

Source: The website of the Stock Exchange (www.hkex.com.hk)

Note: The share subscription conducted by Dore Holdings Limited on 28 October 2013 was in three tranches and all three subscription prices are included in our calculation and analysis.

As illustrated in the table above, the premium/discount which the subscription prices of the Comparables represented over/to (i) the relevant closing prices on the last trading days ranged from a discount of 34.50% to a premium of 17.65% with the average being a discount of 6.10%; and (ii) the average closing price of the last 5 trading days ranged

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from a discount of 32.10% to a premium of 17.60% with the average being a discount of 6.44%. The Subscription Price, which represents a discount of 6.35% to the closing price of the Shares on the last trading day and equals to the average closing price of the Shares for the last 5 trading days immediately prior to the date of the Subscription Agreement, falls within the range of the Comparables.

We consider it reasonable to compare the Subscription Price with the recent trading prices of the Shares to form a basis of the fairness and reasonableness of the Subscription Price of the Subscription Shares. Notwithstanding the Subscription Price represents: (i) a discount of approximately 6.35% to the closing price of the Shares on the last trading day; (ii) a discount of approximately 32.14% to the audited consolidated net assets value attributable to the Shareholders of the Company as at 31 December 2013; and (iii) a discount of approximately 35.59% to the daily average closing price per Share for the Review Period as mentioned above, taking into account that (i) the Subscription Price equals to the average closing price of the Shares for the last five trading days up to and including the date of the Subscription Agreement; (ii) the Subscription Price represents a premium of approximately 3.24% over the average closing price of the Shares for the last ten trading days up to and including the date of the Subscription Agreement; (iii) the closing Share prices of the Company were traded at or below the Subscription Price for 17 consecutive trading days prior to the date of the Subscription Agreement (i.e. from 22 May 2014 to 16 June 2014); (iv) the trading volume of the Shares during the Review Period was not considered to be active; and (v) the discount of the Subscription Price to the closing price of the Shares on the last trading day fall within the range of the Comparables during the Review Period, we concur with the view of the Directors that the Subscription Price was fairly and reasonably determined and consider that the Subscription Price reflects the market price of the Shares around the date of the Subscription Agreement.

4. Financial impact of the Subscription

Net assets value

According to the Letter from the Board, the net proceeds from the issue of the Subscription Shares are approximately HK\$44.47 million. Assuming that the issuance of Subscription Shares and Completion had taken place on 31 December 2013, the audited net assets value attributable to Shareholders of the Company as at 31 December 2013 would be increased from approximately HK\$161.9 million to approximately HK\$206.4 million as there would be an increase in the total assets and share capital of the Group due to the allotment and issue of the Subscription Shares of approximately HK\$44.47 million.

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The audited net assets value per Share attributable to Shareholders of the Company as at 31 December 2013 would be decreased from approximately HK\$0.1739 to approximately HK\$0.1573 assuming that the issuance of Subscription Shares and Completion had taken place on 31 December 2013.

Gearing ratio

According to the 2013 Annual Report, the audited total assets and total liabilities of the Group was approximately HK\$177.5 million and HK\$14.7 million respectively. With reference to the Letter from the Board, the net proceeds from the issue of the Subscription Shares are approximately HK\$44.47 million and the audited total assets of the Group as at 31 December 2013 would be increased from approximately HK\$177.5 million to approximately HK\$221.9 million assuming that the issuance of Subscription Shares and Completion had taken place on 31 December 2013 whilst the total liabilities should remain the same. As such, the Group's gearing ratio (calculated on the basis of total liabilities to total assets) as at 31 December 2013 would be decreased from approximately 0.083 to 0.066 assuming that the issuance of Subscription Shares and Completion had taken place on 31 December 2013.

Earnings

According to the 2014 First Quarterly Report, the unaudited total comprehensive loss attributable to the Shareholders of the Company was approximately HK\$20.1 million for the three months ended 31 March 2014. As advised by the management of the Company, save for the expenses relating to the Subscription which are estimated to be approximately HK\$0.5 million, the Subscription would not have any material impact on the earnings of the Group.

5. Background of and reasons for the refreshment of general mandate

Pursuant to an ordinary resolution passed by the Shareholders, the Directors were granted the Current Issue Mandate to allot and issue up to 224,171,524 Shares, representing 20% of the issued share capital of the Company as at the date of the AGM. Since then, the Company has not refreshed the Current Issue Mandate.

On 6 June 2014, the Company has allotted and issued 224,166,000 Shares pursuant to the subscription agreement dated 6 June 2014, details of which are disclosed in the Letter from the Board under the paragraph headed "Fund raising activities in the past twelve-month period" and in the Company's announcements dated 6 June 2014 and 16 June 2014. The 224,166,000 Shares were issued and allotted under the Current Issue Mandate. Upon completion of such subscription, the number of Shares that can be issued under the Current Issue Mandate was reduced to 5,524 Shares, which is less than a board lot of 18,000 Shares traded on the Stock Exchange.

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As advised by the Company, the next annual general meeting will be held around April 2015, which is around 9 months away from the Latest Practicable Date. In order to provide the Company with more financial flexibility for the Group to issue new Shares before the next annual general meeting, the Board proposed to seek approval from the Independent Shareholders at the EGM in respect of the grant of the Refreshed Issue Mandate.

As at the Latest Practicable Date, the total number of issued Shares was 1,905,452,430 Shares and assuming that there is no change in the issued share capital of the Company between the Latest Practicable Date and the date of the EGM, the Refreshed Issue Mandate, if granted, will allow the Directors to allot and issue up to 381,090,486 new Shares, representing 20% of the issued share capital of the Company as at the date of the EGM.

As stated in the Letter from the Board, in order to maintain the flexibility for any future allotment and issue of Shares by the Directors on behalf of the Company as and when necessary, the Directors consider that the refreshment of the Current Issue Mandate will enable the Company to respond to the market and the investment opportunities promptly, should funding needs arise or attractive terms for investment in the Shares become available from potential investors.

Having considered that (i) the Current Issue Mandate has been utilised as to approximately 99.99%; (ii) the Refreshed Issue Mandate would provide the Group with financial flexibility to raise equity capital expeditiously for its operations or expansion; and (iii) the Refreshed Issue Mandate would strengthen the capital base and financial position of the Company, we are of the view that the proposed grant of the Refreshed Issue Mandate is in the interests of the Company and the Shareholders as a whole.

6. Other financing alternatives

As advised by the management of the Company, the Board considers that other financing methods such as debt financing, pre-emptive share issuance such as rights issue and open offer and internal cash resources to fund future business development of the Company shall be taken into consideration in appropriate circumstances. As debt financing may incur interest burden to the Group, equity financing such as issuance of new Shares for cash or equity swaps may be an appropriate means to fund potential investments and/or acquisition, and provide additional working capital for the future development and expansion of the Group, given the Group's financial position, capital structure, cost of funding and the then financial market condition, especially under the situations in which the global financial market has remained uncertain and volatile. In addition, the Subscription and the grant of the Refreshed Issue Mandate allow the Company to raise equity capital within specified number of Shares promptly and when necessary rather than the more cost and time consuming process of applying for specific mandate in the case of alternative pro-rata equity fund raising such as rights issue and open offer when such need for capital may arise in the future. Given the aforementioned reasons, we concur with the view of the Directors and are of the view that equity

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

financing through the Subscription and the use of the Refreshed Issue Mandate are more flexible and cost and time efficient than alternative equity financing methods such as by way of rights issue or open offer.

We consider that the Subscription and the Refreshed Issue Mandate will provide the Company with an additional alternative for fund raising, and we are of the view that the Subscription and the proposed grant of the Refreshed Issue Mandate are in the interests of the Company and the Shareholders as a whole.

7. Fund raising activities of the Company in the past twelve months

Details of the fund raising activities of the Company in the past twelve months are set out in pages 15 to 16 of the Circular.

8. Potential dilution to the shareholding of the Shareholders

Set out below is the shareholding structure of the Company (i) as at the Latest Practicable Date; (ii) immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion)); and (iii) immediately upon Completion and assuming that the Refreshed Issue Mandate has been fully utilised:

	As at the Latest Practicable Date		Immediately upon Completion (assuming that there is no change in the issued share capital of the Company from the Latest Practicable Date and up to Completion (other than as a result of the allotment and issue of the Subscription Shares on Completion))		Immediately upon Completion and assuming that the Refreshed Issue Mandate has been fully utilised	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
China New Economy Fund Limited	274,608,000	14.41	274,608,000	12.01	274,608,000	10.29
The Subscriber	-	-	381,078,000	16.67	381,078,000	14.29
Public Shareholders	1,630,844,430	85.59	1,630,844,430	71.32	1,630,844,430	61.13
Maximum number of new Shares to be issued under the Refreshed Issue Mandate	-	-	-	-	381,090,486	14.29
Total	1,905,452,430	100.00	2,286,530,430	100.00	2,667,620,916	100.00

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As illustrated in the table above, the Subscription Shares, being allotted and issued, will represent (i) approximately 16.67% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares; and (ii) approximately 14.29% of the issued share capital of the Company as enlarged by the issue of the Subscription Shares and assuming that the Refreshed Issue Mandate has been fully utilised. The shareholding interests of the existing public Shareholders will be diluted from approximately 85.59% as at the Latest Practicable Date to (i) approximately 71.32% upon the issue of the Subscription Shares; and (ii) approximately 61.13% upon the issue of the Subscription Shares and assuming that the Refreshed Issue Mandate has been fully utilised. Taking into account (i) the factors as set out under the paragraphs headed “Reasons for and benefits of the Subscription” and “Background of and reasons for the refreshment of general mandate” in this letter and that the issue of Subscription Shares and grant of Refreshed Issue Mandate is beneficial to the Group in maintaining its liquidity position while releasing the Group from the liabilities and interest burden of other financing alternatives; and (ii) the capital base of the Company will be enlarged upon the issue of the Subscription Shares and the utilisation of the Refreshed Issue Mandate, we concur with the Directors’ view that the dilution effect on the shareholding interests of the existing public Shareholders to be acceptable.

RECOMMENDATION

Taking into account the above principal factors and reasons, we are of the opinion that the terms of the Subscription Agreement and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Company and (i) the Subscription; and (ii) the proposed grant of the Refreshed Issue Mandate are fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Subscription Agreement and the transactions contemplated thereunder and the proposed grant of the Refreshed Issue Mandate.

Yours faithfully,
For and on behalf of
Aviate Beijing Capital Limited
Julie Sun
Director

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 with regard to the Group. 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 document misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, the interests or short positions of each Director and chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (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 taken or deemed 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 the Rules 5.46 to 5.47 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange were as follows:

(i) Long position in the Shares of the Company

Name of Director	Capacity	Number of Shares	Approximate Percentage
Zhang Xiongfeng	Interest through controlled corporation	381,078,000 Shares (Note 1)	20.00%

Note 1: These are 381,078,000 Subscription Shares proposed to be issued to Turbo Pointer Limited, which is beneficially and wholly-owned by Mr. Zhang Xiongfeng. As such, Mr. Zhang Xiongfeng is deemed to be interested in the 381,078,000 Shares by virtue of the SFO.

(ii) *Long position in the underlying Shares of the Company*

Name of Director	Capacity	Number of underlying Shares	Approximate Percentage
Zhang Xiongfeng	Beneficial owner	57,163,573 Shares (Note 2)	3.00%
Zhang Peiao	Beneficial owner	38,109,049 Shares (Note 3)	2.00%

Notes:

- These are 57,163,573 Shares to be issued upon exercise of the Director Option granted to Mr. Zhang Xiongfeng.
- These are 38,109,049 Shares to be issued upon exercise of the Director Option granted to Mr. Zhang Peiao.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (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 taken or deemed 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 the Rules 5.46 to 5.47 of the GEM Listing Rules relating to the securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Persons who have interests or short positions which are discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

So far as is known to the Directors and the chief executive of the Company, as at the Latest Practicable Date, the following person (not being Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept by the Company under Section 336 of Part XV of the SFO:

Long position in Shares of the Company

Name of Shareholder	Capacity	Number of Shares	Approximate Percentage
China New Economy Fund Limited	Beneficial owner	274,608,000 Shares	14.41%
Turbo Pointer Limited	Beneficial owner	381,078,000 Shares (Note)	20.00%

Note: These are 381,078,000 Subscription Shares proposed to be issued to Turbo Pointer Limited, which is beneficially and wholly-owned by Mr. Zhang Xiongfeng. As such, Mr. Zhang Xiongfeng is deemed to be interested in the 381,078,000 Shares by virtue of the SFO.

Save as disclosed above, as at the Latest Practicable Date, the Directors and the chief executive of the Company were not aware of any other person (other than a Director or chief executive of the Company) who had, or was deemed to have, interests or short positions in the Shares or underlying Shares, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or was recorded in the register required to be kept under Section 336 of Part XV of the SFO.

3. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any members 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 accordance with the Articles of Association.

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors or their respective associates had any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. DIRECTORS' INTEREST IN ASSETS CONTRACTS OR ARRANGEMENTS

On 18 June 2014, the Company entered into the Subscription Agreement with Turbo Pointer Limited, a company beneficially and wholly-owned by Mr. Zhang Xiongfeng, an executive Director and chairman of the Board, pursuant to which the Company conditionally agreed to allot and issue, and Turbo Pointer Limited conditionally agreed to subscribe for, 381,078,000 Subscription Shares at the Subscription Price of HK\$0.118 per Subscription Share. Details of the Subscription Agreement are set out in the letter from the Board in this circular.

Save as disclosed above, none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which is significant in relation to the business of the Group, nor has any Director or their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2013, being the date to which the latest published audited consolidated financial statements of the Group were made up.

6. 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 consolidated 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.

7. EXPERT AND CONSENT

The following is the qualification of the expert who has been named in this circular or has given opinion, letter or advice contained in this circular:

Name	Qualifications
Aviate Beijing Capital Limited	the independent financial adviser to the Independent Board Committee and the Independent Shareholders, a corporation licensed under the SFO to carry out type 6 (advising on corporate finance) regulated activity

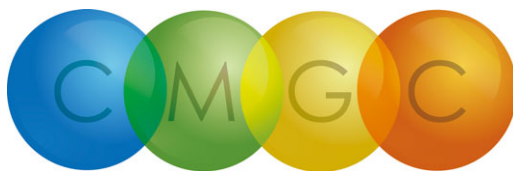
Aviate Beijing Capital Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and references to its names in the form and context in which they respectively appear.

As at the Latest Practicable Date, Aviate Beijing Capital Limited did not have (a) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and (b) any direct or indirect interest in any assets acquired or disposed of by or leased to or 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 accounts of the Company were made up.

8. DOCUMENT AVAILABLE FOR INSPECTION

Copy of the Subscription Agreement 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 Leung & Lau, Solicitors at Units 7208-10, 72nd Floor, The Center, 99 Queen's Road, Central, Hong Kong from the date of this circular up to and including the date of the EGM.

NOTICE OF EGM



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 the extraordinary general meeting (“**Meeting**”) of China Mobile Games and Cultural Investment Limited (“**Company**”) will be held at 9:00 a.m. on Tuesday, 12 August 2014 at 5/F, Euro Trade Centre, 13–14 Connaught Road Central, Hong Kong, for the following purposes:

1. “**THAT**

- (a) the subscription (“**Subscription**”) of 381,078,000 shares in the share capital of the Company (each a “**Subscription Share**”, and collectively, the “**Subscription Shares**”) at the price of HK\$0.118 per Subscription Share as contemplated under the subscription agreement (“**Subscription Agreement**”) dated 18 June 2014 entered into between the Company and Turbo Pointer Limited (“**Subscriber**”) (a copy of the Subscription Agreement is marked “A” and signed by the chairman of the meeting for identification purpose has been tabled at the meeting) be and is hereby approved;
- (b) subject to the completion of the Subscription, the directors of the Company (“**Directors**”) or a duly authorised committee of the board of Directors (“**Board**”) be and are/is hereby specifically authorised to exercise all the powers of the Company and to take all steps as might in their opinion be desirable or necessary in connection with the Subscription Agreement to allot and issue the Subscription Shares to the Subscriber; and
- (c) all other transactions contemplated under the Subscription Agreement be and are hereby approved and all Directors or a duly authorised committee of the Board be and are/is authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as he considers necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Subscription Agreement, the allotment and issue of the Subscription Shares and to agree to such variation, amendments or waiver of matters relating thereto as are, in the opinion of the Directors or a duly authorised committee of the Board, in the interests of the Company and its shareholders as a whole.”

NOTICE OF EGM

2. “**THAT** the conditional grant of share option, pursuant to the share option scheme of the Company adopted on 10 November 2010, to Mr. Zhang Xiongfeng, being an executive Director and the chairman of the Board, which would entitle him to subscribe for 57,163,573 shares in the share capital of the Company, in excess of the Individual Limit (as defined in the circular of the Company dated 21 July 2014 (“**Circular**”), a copy of which has been produced to the meeting marked “B” and signed by the chairman of the meeting for the purpose of identification), be and is hereby approved, confirmed and ratified and the Board or a duly appointed committee thereof be and are/is authorised to do all such acts as may be necessary or expedient in order to give full effect to such grant of option.”
3. “**THAT** the conditional grant of share option, pursuant to the share option scheme of the Company adopted on 10 November 2010, to Mr. Zhang Peiao, being an executive Director and the chief executive officer of the Company, which would entitle him to subscribe for 38,109,049 shares in the share capital of the Company, in excess of the Individual Limit (as defined in the Circular), be and is hereby approved, confirmed and ratified and the Board or a duly appointed committee thereof be and are/is authorised to do all such acts as may be necessary or expedient in order to give full effect to such grant of option.”
4. “**THAT** subject to and conditional upon The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) granting the listing of, and permission to deal in, such number of shares of the Company which may fall to be allotted and issued pursuant to the exercise of the options which may be granted under the share option scheme adopted by the Company pursuant to an ordinary resolution of the then shareholders of the Company passed on 10 November 2010 (“**Share Option Scheme**”), representing 10 per cent. of the issued share capital of the Company as at the date on which this resolution is passed, pursuant to the rules of the Share Option Scheme:
 - (a) approval be and is hereby granted for refreshing the 10 per cent. mandate under the Share Option Scheme (“**10% General Limit**”) provided that the total number of shares of the Company which may be allotted and issued upon the exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Group under the limit as refreshed hereby shall not exceed 10 per cent. of the aggregate nominal amount of the issued share capital of the Company as at the date on which this resolution is passed (options previously granted under the Share Option Scheme and any other share option schemes of the Group (including options outstanding, cancelled, lapsed or exercised in accordance with the terms of the Share Option Scheme or any other share option schemes of the Group) shall not be counted for the purpose of calculating the 10% General Limit); and

NOTICE OF EGM

- (b) the directors of the Company or a duly authorised committee thereof be and is/are hereby authorised: (i) at its/their absolute discretion, to grant options to subscribe for shares of the Company within the refreshed 10% General Limit in accordance with the rules of the Share Option Scheme, and (ii) to allot, issue and deal with shares of the Company pursuant to the exercise of options granted under the Share Option Scheme within the refreshed 10% General Limit.”

5. “THAT

- (a) the general mandate granted to the Directors to allot, issue and deal with the unissued shares of the Company pursuant to an ordinary resolution passed at the annual general meeting of the Company held on 30 April 2014 be and is hereby revoked (without prejudice to any valid exercise of such general mandate prior to the passing of this resolution);
- (b) subject to the following provisions of this resolution, the exercise by the Directors during the Relevant Period (as defined below) of all the powers of the Company to allot, issue and deal with additional shares in the share capital of the Company (“**Shares**”), and to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers, subject to and in accordance with all applicable laws, be and is hereby generally and unconditionally approved;
- (c) the approval in paragraph (b) of this resolution shall authorise the Directors during the Relevant Period (as defined below) to make or grant offers, agreements and options (including warrants, bonds and debentures convertible into Shares) which would or might require the exercise of such powers after the end of the Relevant Period (as defined below);
- (d) the aggregate nominal amount of share capital of the Company allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) and issued by the Directors pursuant to the approval in paragraph (b) of this resolution, otherwise than pursuant to (i) a Rights Issue (as defined below); or (ii) the exercise of the conversion rights attaching to any convertible securities issued by the Company; (iii) the exercise of warrants to subscribe for Shares; (iv) the exercise of options granted under any share option scheme or similar arrangement for the time being adopted by the Company; or (v) an issue of Shares in lieu of the whole or part of a dividend on Shares in accordance with the articles of association of the Company (“**Articles of Association**”); shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue as at the date of the passing of this resolution, and the said approval shall be limited accordingly; and

NOTICE OF EGM

(e) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of (i) the conclusion of the next annual general meeting of the Company; (ii) the expiration of the period within which the next annual general meeting of the Company is required by the Articles of Association or any applicable laws of the Cayman Islands to be held; or (iii) the date on which such mandate is revoked or varied by an ordinary resolution of the shareholders of the Company in general meeting.

“**Rights Issue**” means an offer of Shares open for a period fixed by the Directors to the holders of Shares or any class of Shares whose names appear on the registers of members of the Company on a fixed record date in proportion to their then holdings of such Shares as at that date (subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of any recognized regulatory body or any stock exchange in, any territory applicable to the Company).”

By order of the Board
China Mobile Games and Cultural Investment Limited
Hung Kenneth
Executive Director

Hong Kong, 21 July 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. All resolutions 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.

NOTICE OF EGM

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.