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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a high 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.

*This announcement, for which the directors (the "**Directors**", and each a "**Director**") of China Mobile Games and Cultural Investment Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement 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 announcement misleading.*

This announcement will remain on the "Latest Company Announcements" page of the GEM website at http://www.hkgem.com for a minimum period of seven days from the date of its publication and on the Company's website at http://www.cmgc.com.hk.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

The board (the "**Board**") of directors (the "**Directors**") of the Company hereby submits the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2014, together with the comparative audited figures for the year ended 31 December 2013 as follows:

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2014

	Notes	**2014** *HK$'000*	2013 *HK$'000*
Revenue	3	**236,970**	99,557
Cost of inventories sold/services		**(71,490)**	(54,472)
Other gains and losses	4	**(673)**	(265)
Other revenue and income	3	**1,501**	1,060
Employee benefits expenses		**(101,376)**	(30,147)
Depreciation		**(23,431)**	(8,705)
Other operating expenses		**(51,480)**	(21,278)
Gain on disposals of subsidiaries		**1,131**	1,999
Gain on disposal of fish breeding business		**–**	1,240
Fair value change of investment properties		**–**	(1,603)
Gain on a bargain purchase of subsidiaries		**–**	8,368
Impairment loss on a disposal group classified as held for sale		**–**	(1,071)
Impairment loss on available-for-sale investments		**(23,120)**	–
Share of results of associates		**8,050**	124
Finance costs		**(1,549)**	(4,048)
Loss before income tax	5	**(25,467)**	(9,241)
Income tax credit/(expense)	6	**887**	(362)
Loss for the year		**(24,580)**	(9,603)
Other comprehensive loss			
Items that maybe reclassified subsequently to profit or loss:			
Exchange differences arising on translation of:			
– Financial statements of overseas subsidiaries		**(5)**	–
– Financial statements of overseas associates		**(147)**	–
Reclassification of translation reserve upon disposal of a subsidiary		**(5)**	–
Fair value adjustment on available-for-sale investments		**(23,120)**	–
Impairment loss of available-for-sale investments transferred to profit or loss		**23,120**	–
Other comprehensive loss for the year		**(157)**	–
Total comprehensive loss for the year		**(24,737)**	(9,603)
Loss for the year attributable to:			
Shareholders of the Company		**(26,189)**	(8,847)
Non-controlling interests		**1,609**	(756)
		(24,580)	(9,603)
Total comprehensive loss for the year attributable to:			
Shareholders of the Company		**(26,345)**	(8,847)
Non-controlling interests		**1,608**	(756)
		(24,737)	(9,603)
Basic loss per share (HK cents)	8	**(1.43)**	(1.50)
Diluted loss per share (HK cents)	8	**(1.43)**	(1.50)

Consolidated Statement of Financial Position

At 31 December 2014

	Notes	2014 HK$'000	2013 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment		**23,453**	35,835
Investment properties		**–**	38,700
Investments in associates		**229,233**	1,561
Available-for-sale investments		**19,135**	–
Deferred tax assets		**2,887**	1,211
		274,708	77,307
CURRENT ASSETS			
Inventories		**1,961**	2,277
Debtors, deposits and prepayments	9	**47,181**	41,483
Financial assets at fair value through profit or loss		**773**	–
Income tax recoverable		**5**	44
Cash and bank balances		**53,527**	42,125
		103,447	85,929
Assets of a disposal group classified as held for sale		**–**	14,214
		103,447	100,143
DEDUCT:			
CURRENT LIABILITIES			
Creditors, accruals and other payables	10	**30,892**	13,318
Short-term borrowings		**15,000**	–
Income tax payable		**572**	166
		46,464	13,484
Liabilities of a disposal group classified as held for sale		**–**	1,214
		46,464	14,698
NET CURRENT ASSETS		**56,983**	85,445
TOTAL ASSETS LESS CURRENT LIABILITIES		**331,691**	162,752
NON-CURRENT LIABILITY			
Deferred tax liabilities		**10**	10
		10	10
NET ASSETS		**331,681**	162,742
CAPITAL AND RESERVES			
Share capital		**24,961**	93,086
Share premium and reserves		**301,051**	68,825
EQUITY ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY		**326,012**	161,911
NON-CONTROLLING INTERESTS		**5,669**	831
TOTAL EQUITY		**331,681**	162,742

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Attributable to shareholders of the Company											
	Share capital HK$'000	Share premium HK$'000	Capital reduction reserve HK$'000	Share options reserve HK$'000	Translation reserve HK$'000	Other reserve HK$'000	Convertible notes reserve HK$'000	Investment revaluation reserve HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1.1.2013	55,770	110,004	–	–	–	–	13,809	–	(66,045)	113,538	–	113,538
Shares issued upon placing	11,000	3,080	–	–	–	–	–	–	–	14,080	–	14,080
Shares issuing expenses	–	(563)	–	–	–	–	–	–	–	(563)	–	(563)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	–	1,584	1,584
Capital contribution from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	–	–	3	3
Conversion of convertible notes	26,316	31,196	–	–	–	–	(13,809)	–	–	43,703	–	43,703
Loss and total comprehensive loss for the year	–	–	–	–	–	–	–	–	(8,847)	(8,847)	(756)	(9,603)
At 31.12.2013 and 1.1.2014	93,086	143,717	–	–	–	–	–	–	(74,892)	161,911	831	162,742
Shares issued	**103,366**	**88,157**	**–**	**–**	**–**	**–**	**–**	–	**–**	**191,523**	**–**	**191,523**
Shares issuing expenses	**–**	**(5,858)**	**–**	**–**	**–**	**–**	**–**	–	**–**	**(5,858)**	**–**	**(5,858)**
Capital reduction	**(171,491)**	**–**	**81,470**	**–**	**–**	**–**	**–**	–	**90,021**	**–**	**–**	**–**
Dividends declared to non-controlling shareholders	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	**–**	**–**	**(120)**	**(120)**
Acquisition of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	**–**	**–**	**588**	**588**
Capital contribution from a non-controlling shareholder of a subsidiary	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	**–**	**–**	**4**	**4**
Disposal of subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	**–**	**–**	**(5)**	**(5)**
Change in ownership interest in a subsidiary that do not result in a loss of control	**–**	**–**	**–**	**–**	**–**	**(63)**	**–**	–	**–**	**(63)**	**2,763**	**2,700**
Share-based payments	**–**	**–**	**–**	**4,844**	**–**	**–**	**–**	–	**–**	**4,844**	**–**	**4,844**
Loss and total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(156)**	**–**	**–**	–	**(26,189)**	**(26,345)**	**1,608**	**(24,737)**
At 31.12.2014	**24,961**	**226,016**	**81,470**	**4,844**	**(156)**	**(63)**	**–**	–	**(11,060)**	**326,012**	**5,669**	**331,681**

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), Hong Kong Accounting Standards ("**HKAS**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (hereinafter collectively referred to as "**Hong Kong Financial Reporting Standards**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "**GEM Listing Rules**").

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

(a) Initial application of Hong Kong Financial Reporting Standards

In the current year, the Group initially applied the following Hong Kong Financial Reporting Standards:

HK(IFRIC)–Int 21	Levies
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
Amendments to HKFRS 10	Investment Entities
Annual improvements to HKFRSs (2010 – 2012)	Amendments to HKFRS 2 and HKFRS 3

The initial application of these financial reporting standards does not necessitate material changes in the Group's accounting policies and retrospective adjustments of the comparatives presented in the consolidated financial statements.

(b) Hong Kong Financial Reporting Standards in issue but not yet effective

The following Hong Kong Financial Reporting Standards in issue at 31 December 2014 have not been applied in the preparation of the Group's consolidated financial statements for the year then ended since they were not yet effective for the annual period beginning on 1 January 2014:

HKFRS 9 (2014)	Financial Instruments
HKFRS 14	Regulatory Deferral Accounts
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation
Amendments to HKAS 16 and HKAS 41	Bearer Plants
Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKAS 27	Equity Method in Separate Financial Statements
Amendments to HKAS 28 and HKFRS 10	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
Amendments to HKFRS 11	Accounting for Acquisitions of Interests in Joint Operations
Annual Improvements to HKFRSs (2010 – 2012)	Amendments to HKFRS 8, HKAS 16, HKAS 24 and HKAS 38
Annual Improvements to HKFRSs (2011 – 2013)	Amendments to HKFRS 3, HKFRS 13 and HKAS 40
Annual Improvements to HKFRSs (2012 – 2014)	Amendments to HKFRS 5, HKFRS 7 and HKAS 19

The Group is required to initially apply these standards and amendments in its annual consolidated financial statements beginning on 1 January 2016, except that the Group is required to initially apply amendments to HKAS 19, Annual Improvements (2010 – 2013) and Annual Improvements (2011 – 2013) in its annual consolidated financial statements beginning on 1 January 2015, and to initially apply HKFRS 15 and HKFRS 9 (2014) in its annual consolidated financial statements beginning on 1 January 2017 and 2018 respectively. HKFRS 14 is not applicable to the Group.

3. REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are (i) mobile-online game business and provision of games related integral marketing services; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services; and (v) securities investments business.

Revenue represents the aggregate of the net amounts received and receivable from third parties for the year. An analysis of the Group's revenue is as follows:

	2014	2013
	HK$'000	*HK$'000*
Revenue		
Income from mobile-online game business and provision of games related integral marketing services	**45,653**	–
Income from provision of IT services	**3,137**	48,487
Loans interest and related income	**131**	4,936
Income from provision of medical diagnostic and health check services	**188,049**	46,134
Total	**236,970**	99,557
Other revenue		
Interest income	**175**	332
	237,145	99,889

In 2014, there is one customer with whom transactions have exceeded 10% of the Group's revenue amounted to approximately HK$35,797,000 arose in the People's Republic of China (the "**PRC**"). In 2013, two customers with whom transactions had exceeded 10% of the Group's revenue amounted to approximately HK$40,953,000 arose in Hong Kong.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of both business lines (products and services) and geography. In a manner consistent with the way in which information is reported internally to the Group's chief operating decision maker for the purposes of resource allocation and performance assessment, the Group has presented the following reportable segments. No operating segments have been aggregated to form the following reportable segments.

– Mobile-online game business and provision of games related integral marketing services;

– Provision of IT services;

– Money lending business;

– Provision of medical diagnostic and health check services; and

– Securities investments business.

For the purposes of assessing segment performance and allocating resources between segments, the Group's chief operating decision maker monitors the results, assets and liabilities attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments.

Assets and liabilities are allocated to the reportable segments excluding unallocated corporate assets and liabilities.

The measure used for reporting segment profit is "adjusted EBIT", i.e. "adjusted earnings before interest and taxes", where "interest" is regarded as including investment income. To arrive at adjusted EBIT, the Group's earnings are further adjusted for items not specifically attributed to individual segments.

Information regarding the Group's reportable segments as provided to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below:

(i) Segment results

	Mobile-online game business and provision of games related integral marketing services		Provision of IT services		Money lending business		Provision of medical diagnostic and health check services		Securities investments business		Consolidated	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
REVENUE												
External customers	**45,653**	–	**3,137**	48,487	**131**	4,936	**188,049**	46,134	**–**	–	**236,970**	99,557
RESULTS												
Segments profit/(loss)	**6,766**	–	**64**	(684)	**(154)**	(17)	**7,429**	(3,178)	**(23,469)**	(239)	**(9,364)**	(4,118)
Unallocated head office and corporate income and expenses											**(14,729)**	(8,341)
Interest income											**175**	332
Gain on disposal of fish breeding business											**–**	1,240
Fair value change of investment properties											**–**	(1,603)
Impairment loss on a disposal group classified as held for sale											**–**	(1,071)
Gain on a bargain purchase of a subsidiary											**–**	8,368
Finance costs											**(1,549)**	(4,048)
Loss before income tax											**(25,467)**	(9,241)

	Mobile-online game business and provision of games related integral marketing services		Provision of IT services		Money lending business		Provision of medical diagnostic and health check services		Securities investments business		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment results:														
Depreciation	**6**	–	**112**	76	**43**	216	**23,155**	8,413	**–**	–	**115**	–	**23,431**	8,705
Share of results of associates	**5,586**	–	**–**	–	**–**	–	**365**	124	**–**	–	**2,099**	–	**8,050**	124
Gain on disposals of subsidiaries	**–**	–	**973**	–	**60**	–	**–**	–	**–**	–	**98**	1,999	**1,131**	1,999
Impairment loss on available-for-sale investments	**–**	–	**–**	–	**–**	–	**–**	–	**23,120**	–	**–**	–	**23,120**	–

(ii) Segment assets and liabilities

	Reportable segments															
	Mobile-online game business and provision of games related integral marketing services		Provision of IT services		Money lending business		Provision of medical diagnostic and health check services		Securities investments business		Reportable segments total		Unallocated		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
ASSETS	**249,037**	–	**–**	668	**75**	32,158	**78,357**	96,668	**19,909**	–	**347,378**	129,494	**30,777**	47,956	**378,155**	177,450
LIABILITIES	**14,107**	–	**–**	196	**–**	1,693	**14,299**	10,374	**–**	–	**28,406**	12,263	**18,068**	2,445	**46,474**	14,708

	Mobile-online game business and provision of games related integral marketing services		Provision of IT services		Money lending business		Provision of medical diagnostic and health check services		Securities investments business		Reportable segments total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Amounts included in the measure of segment assets:												
Investments in associates	**222,967**	–	**–**	–	**–**	–	**1,407**	1,561	**–**	–	**224,374**	1,561
Amounts regularly provided to the chief operating decision maker:												
Additions to property, plant and equipment	**245**	–	**43**	222	**62**	300	**11,510**	1,182	**–**	–	**11,860**	1,704
Additions to investments in associates	**221,837**	–	**–**	–	**–**	–	**–**	–	**–**	–	**221,837**	–

(iii) Geographical information

The Group's operations are mainly located in Hong Kong and the PRC. The following table sets out information about (i) the Group's revenue from external customers; and (ii) the geographical location of the Group's non-current assets (excluding available-for-sale investments and deferred tax assets) ("**specified non-current assets**"), based on the place of domicile of the relevant group entity.

	Revenue from external customers		Specified non-current assets	
	2014	2013	**2014**	2013
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Hong Kong	**191,317**	99,557	**29,687**	76,096
The PRC	**45,653**	–	**222,999**	–
	236,970	99,557	**252,686**	76,096

4. OTHER GAINS AND LOSSES

	2014 HK$'000	2013 HK$'000
Compensation income arising from profit guarantee realisation	**4,801**	–
Impairment loss on interest in an associate	**(4,309)**	–
Loss on disposal of property, plant and equipment	**(847)**	(26)
Unrealised loss on financial assets at fair value through profit or loss	**(225)**	–
Realised loss on financial assets at fair value through profit or loss	**(93)**	(239)
	(673)	(265)

5. LOSS BEFORE INCOME TAX

	2014 HK$'000	2013 HK$'000
Loss before income tax is arrived at after charging/(crediting):		
Cost of inventories expensed	**71,490**	54,286
Direct expenses arising from money lending business		
– interest expenses	**–**	245
– other costs	**10**	70
	10	315
Auditors' remuneration		
– audit services	**627**	375
– other services	**50**	–
	677	375
Depreciation	**23,431**	8,705
Directors' remuneration	**5,166**	1,605
Other staff salaries and benefits	**91,383**	28,124
Retirement scheme contributions, excluding those of directors	**2,438**	418
Share based payments, excluding those of directors	**2,389**	–
Net exchange loss	**3**	33
Impairment loss on trade debtors	**–**	45
Interest on borrowings wholly repayable within five years	**1,549**	4,048
Minimum lease payments paid under operating leases	**13,074**	3,754
Professional and consultancy service fees	**10,405**	8,427
Advertising and promotion	**8,017**	1,939
Building management fee	**3,852**	1,004
Repairs and maintenance	**3,148**	836
Rental income from investment properties less direct outgoings of HK$18,000 (2013: HK$57,000)	**(707)**	(548)

6. INCOME TAX (CREDIT)/EXPENSE

The income tax (credit)/expense represents the sum of the current tax and deferred tax and is made up as follows:

	2014 *HK$'000*	2013 *HK$'000*
Provision for Hong Kong Profits Tax		
Current year	**181**	362
Over-provision in respect of previous year	**(10)**	–
	171	362
Provision for PRC Enterprise Income Tax		
Current year	**618**	–
Deferred taxation		
Current year	**(1,676)**	–
	(887)	362

The provision for Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the net estimated assessable profits for the year. The Group's subsidiaries operating in the PRC are subject to the tax rate at 25%.

7. DIVIDENDS

No dividend was paid or proposed for the year ended 31 December 2014, nor has any dividend been proposed since the end of the reporting period (2013: Nil).

8. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year is based on the following data:

	2014 *HK$'000*	2013 *HK$'000*
Loss for the year attributable to shareholders of the Company	**(26,189)**	(8,847)

	2014	2013 *(Restated)*
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic loss per share	**1,832,805,243**	590,340,969
Effect of diluted potential ordinary shares as a result of the share options granted (Note)	**–**	–
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted loss per share	**1,832,805,243**	590,340,969

The weighted average number of ordinary shares in issue for the year ended 31 December 2013 for the purpose of basic and diluted loss per share has been adjusted and restated upon the ex-date of rights issues on 16 April 2014.

Note: The computation of diluted loss per share for the year ended 31 December 2014 does not assume the conversion of the Company's outstanding share options since their exercise would result a reduction in loss per share for the year which is regarded as anti-dilutive.

9. DEBTORS, DEPOSITS AND PREPAYMENTS

	2014	2013
	HK$'000	*HK$'000*
Trade debtors	**26,349**	22,591
Less: Provision for impairment loss	**(45)**	(45)
	26,304	22,546
Other debtors, deposits and prepayments	**20,877**	18,937
	47,181	41,483

Note:

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers. In order to effectively manage the credit risks associate with trade debtors, credit evaluations of customers are performed periodically. The credit period given to trade debtors ranged from 30 days to 90 days. The following is an aging analysis of trade debtors:

	2014	2013
	HK$'000	*HK$'000*
Within 1 month	**11,542**	7,791
1 to 2 months	**7,176**	6,729
2 to 3 months	**3,715**	3,323
Over 3 months	**3,871**	4,703
	26,304	22,546

10. CREDITORS, ACCRUALS AND OTHER PAYABLES

	2014	2013
	HK$'000	*HK$'000*
Trade creditors	**7,387**	3,106
Accruals and other payables	**22,334**	9,113
Deposits received	**1,171**	1,099
	30,892	13,318

The following is an aging analysis of trade creditors of the Group:

	2014	2013
	HK$'000	*HK$'000*
Within 3 months	**6,916**	3,106
Over 3 months	**471**	–
	7,387	3,106

BUSINESS AND FINANCIAL REVIEW

For the year ended 31 December 2014, the principal activities of the Group are (i) mobile-online game business and provision of games related integral marketing services; (ii) provision of IT services; (iii) money lending business; (iv) provision of medical diagnostic and health check services; and (v) securities investments business.

For the year ended 31 December 2014, the Group recorded revenue of approximately HK$236,970,000 (2013: HK$99,557,000), representing an increase of approximately 138% as compared with last year. The dramatic increase was mainly attributable to the Group's health check business and provision of games related integral marketing services, which were commenced in October 2013 and September 2014 respectively.

The net loss attributable to shareholders of the Company for the year ended 31 December 2014 amounted to approximately HK$26,189,000 (2013: HK$ 8,847,000). Notwithstanding that (a) the profit recorded by the Group's health check business (noting that the Group only commenced such business since October 2013) for the year ended 31 December 2014 of approximately HK$7,429,000 (2013: loss of approximately HK$3,178,000); (b) the share of results of Mighty Eight Group of approximately HK$6,573,000 (2013: Nil), which became an associate of the Company in September 2014; and (c) the profit of approximately HK$2,474,000 (2013: Nil) recorded from the Group's business of provision of games related integral marketing services since the Group's capital injection in 上海智趣廣告有限公司 (in English, for identification purpose, Shanghai Zhiqu Advertisement Co., Ltd.) ("**Zhiqu**") in September 2014, the Group recorded a substantial consolidated loss attributable to shareholders of the Company for the year ended 31 December 2014, as compared with last year, mainly attributable to (i) the impairment loss on available-for-sale investments of approximately HK$23,120,000 (2013: Nil) for the year ended 31 December 2014; (ii) the share-based payment costs of approximately HK$4,844,000 (2013: Nil) being incurred due to the grant of share options by the Company during the year ended 31 December 2014; and (iii) the fact that for the year ended 31 December 2014, the Group did not record any gain on bargain purchase, which amounted to approximately HK$8,368,000 for the year ended 31 December 2013.

Mobile-online Game Business and Provision of Games Related Integral Marketing Services

The Group aims to develop as one of the leading players in mobile-online game industry. During the year under review, the Group has been ardently investing and developing the burgeoning mobile game business and related services offering to implement the new business objective. Revenue generated from this business segment for the year under review was approximately HK$45,653,000 (2013: Nil), which was contributed by the provision of games related integrated marketing services and accounted for approximately 19% of the Group's revenue. This segment recorded a profit of approximately HK$6,766,000 (2013: Nil) which was mainly attributable to the share of the results of investment in Mighty Eight Investments Limited ("**Might Eight**", together its subsidiaries and controlled companies, "**Mighty Eight Group**") and profit from provision of games related integrated marketing services. The Group has paved its way in the mobile game market and its related services offerings and will cautiously strengthen the internal management to improve its overall operational capability and enhance its competitiveness in the mobile game market.

1. *Games related integral marketing services*

   In September 2014, the Group has made capital injection into Zhiqu, a PRC company which is principally engaged in the provision of games related integral marketing services. In light of the increasing penetration of mobile devices, the improvement in mobile network and the booming of social network in China which lead to rapid growth of mobile game market in China, the Directors believe that there will be plenty of opportunities to provide games related integral marketing services.

2. *Investment in Mighty Eight*

   In June, July and September 2014, the Group completed a series of acquisitions of an aggregate of 24% issued share capital of Mighty Eight ("**Mighty Eight Acquisitions**") for an aggregate consideration of HK$210,170,000. Since September 2014, such investment is reclassified from an available-for-sale investment to an associate of the Group.

   The major subsidiaries and controlled companies of Mighty Eight include Something Big Technology Company Limited, 帝覺(上海)網絡科技有限公司 (PrimeVision Tech Company Limited*), 上海頑迦網絡科技有限公司 (Shanghai Wanjia Network Technology Co., Ltd.*) and 上海顛視數碼科技有限公司 (Shanghai Something Big Technology Co., Ltd.*), which are principally engaged in design, development, marketing and distribution and operation of mobile-online games.

* *English translated name is for identification only*

Mighty Eight Group is well known by its original SanGuo-themed games "SanGuo-Mobile" (手機三國). In 2014, "SanGuo-Mobile" continued to perform well since its launch in 2011 and has proven record of successful game operation for 4 years. During the year under review, two other mobile-online games "Voyage-Mobile" (手機大航海, also known as 航海爭霸) and "Sanguo Card" (Q卡三國) developed by Mighty Eight Group were launched in various digital distribution platforms, including Apple Inc's "App Store" and Google Play, in the PRC and South East Asia markets. In November 2014, Mighty Eight Group was awarded with "New Coming Mobile Game Enterprise of the Year" in the Second International Mobile Game Forum ("**IMGF**") held by China Cultural Industry Association, which validated its status as a well-known brand in the mobile game industry.

Mighty Eight Group, driven by its strong game development technology with accumulated game development engines, tools and common modules, focused and kept on designing and developing new games with innovative in-game experiences. In 2014, Mighty Eight Group was developing an official licenced mobile-online game of National Basketball Association ("**NBA**") "NBA Hero" which innovatively integrated the "three kingdom" elements to the NBA sports games, and was awarded with the "Most Anticipated Sports Game of the Year" in the IMGF and the "2014 Most Anticipated Game Gold Apple Award" in 2015 10th TFC Global Mobile Game Conference held by Shang Fang Hui (上方匯 Top Fun Club).

Other than game development, Mighty Eight Group has initiated a new business strategy in 2014 to publish and distribute games developed by third-party developers. In September 2014, Mighty Eight Group published a mobile-online RPG game "天天掛機" (Tian Tian Gua Ji*) in the regions of Hong Kong, Macau and Taiwan.

Pursuant to the terms of the sale and purchase agreements for the Mighty Eight Acquisitions, Century Grand Holdings Limited as vendor, has guaranteed to Best Faith Limited (a wholly-owned subsidiary of the Group) as purchaser that, among others, the Might Eight Group's aggregate amount of the audited net operating profit after tax, after adjustments for, (i) any non-recurring and exceptional gains that are not related to the ordinary business of any of Mighty Eight Group; and (ii) any expenses that are relating to the preparation for the listing of Mighty Eight or its holding company on any recognised stock exchange, in each case, as deduced from the audited consolidated financial statements of Mighty Eight for the relevant year ("**Audited NOP**"), for the two years ended 31 December 2014 shall not be less than 95% of the target amount of RMB136,000,000 (i.e. RMB129,200,000) (the "**First Guaranteed Profit**"). Based on the audited consolidated financial statements of Mighty Eight for the year ended 31 December 2014, the Audited NOP for the guaranteed period of the two years ended 31 December 2014 is approximately RMB120,261,000. Since the First Guaranteed Profit was not met, a compensation ("**Compensation**") of the shortfall of the profit guarantee of approximately HK$4,801,000 was recognised in the Group's statement of profit or loss for year ended 31 December 2014, which is equivalent to the difference between the aggregate Audited NOP for two years ended 31 December 2014 and the target amount of RMB136,000,000 in proportion to the Group's 24% equity interests in Mighty Eight, using the fixed exchange rate of RMB1 to HK$1.2711.

The Compensation is payable by Century Grand Holdings Limited to Best Faith Limited within 30 days after the audited consolidated financial statements of Mighty Eight for the financial year ended 31 December 2014 is available to Best Faith Limited. As at the date of this announcement, Best Faith Limited has requested for such payment from Century Grand Holdings Limited. Details of the formula for the calculation of the Compensation are set out in the announcements of the Company dated 29 January 2014 and 13 August 2014 and the circular of the Company dated 19 June 2014.

3. *Mobile-online game development by the Group*

On 30 June 2014, the Group established a wholly foreign owned enterprise, namely 迹象信息技術(上海)有限公司 (Jixiang Information Technology (Shanghai) Co., Ltd.*), in the PRC and has commenced the design and development of a zuma type RPG mobile-online game namely "Zuma Hero".

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4. *Other mobile-online game investments and licence*

In August and December 2014, the Group completed the subscription of 12.5% enlarged issued share capital of Youle Holdings Limited ("**Youle Holdings**") and 20% enlarged issued share capital of Wang Yan Network Limited ("**Wang Yan**") respectively. These investments are classified as associates of the Group.

Youle Holdings Limited is the holding company of 上海蠻錘數碼科技有限公司 (Shanghai WildHammer Digital Technology Co., Ltd.) ("**Wildhammer**"), which in turn is the sole owner of the copyright and other intellectual property rights of the mobile-online game "The Rune Rush" (戰略傳奇, also known as 囂張大冒險). Such game has been undergoing optimization progress since August 2014 to resolve its technical issues. If the major technical issue cannot be resolved or if certain operating metrics are significantly below expectation, the game "The Rune Rush" may be abandoned or resold for profits by Wildhammer. As such, an impairment loss on investment in Youle Holdings of approximately HK$4,309,000 was recognised for the year.

On the other hand, in 2014, Wang Yan and its subsidiaries are designing and developing a new RPG mobile-online game namely 踢爆那西遊 (Kicking Journey to the West*).

In addition to strategic investment in mobile-online game designer and operator, the Group is also actively looking for potential intellectual property rights to develop mobile-online games during the year under review, which includes the entering into of the licence agreement by the Group and Jade Dynasty Publications Limited ("**Jade Dynasty**") pursuant to which Jade Dynasty granted the exclusive licence to the Group for the development of mobile games and other derived products based on the contents of the designated comics. The Group had been in negotiation with Jade Dynasty on the selection of contents for development of mobile games products during the year. As at the date of this announcement, the Group has not yet concluded the contents for development of mobile game products with Jade Dynasty, and with the consent of Jade Dynasty, the development period under the licence agreement has been extended to 14 September 2015.

Health Check Business

The Group had offered a wide spectrum of quality healthcare services to general public in Hong Kong through the nine health check centres and two laboratories, operated by Luck Key Investment Limited ("**Luck Key**", together with its subsidiaries, "**Luck Key Group**") and its subsidiaries, which were acquired by the Group on 30 September 2013. During the year under review, the health check business generated revenue of approximately HK$188,049,000 (2013: HK$46,134,000, from 30 September 2013 to 31 December 2013). The net profit of the segment amounted to approximately HK$7,429,000 (2013: net loss of HK$3,178,000, from 30 September 2013 to 31 December 2013).

The revenue of Luck Key Group in 2014 amounted to approximately HK$188,049,000, representing a 8.1% increase comparing to that of in 2013 of approximately HK$173,961,000 (which includes the revenue of Luck Key Group before it was acquired by the Group on 30 September 2013). Coupled with the decrease in depreciation expense, this segment has turned around from loss into profit during the year.

In August 2014, the Group's interest in Luck Key was reduced by approximately 9.9% (the "**First Luck Key Disposal**") following the subscription of shares in Luck Key by Town Health (BVI) Limited, a wholly-owned subsidiary of Town Health International Medical Group Limited ("**Town Health**"), a company listed on Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (Stock code: 3886). The First Luck Key Disposal enabled the Luck Key Group to raise capital.

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On 31 December 2014, Luck Key entered into a conditional sale and purchase agreement with Town Health Healthcare Services Limited, a wholly-owned subsidiary of Town Health, to acquire 70% issued share capital of Ever Full Harvest Limited ("**Ever Full**") and a shareholder's loan at the aggregate consideration of HK$11,882,000, which shall be satisfied by the allotment and issue of consideration shares by Luck Key to Town Health Healthcare Services Limited. The transaction was completed on 27 February 2015 and the Group's interest in Luck Key was further reduced from approximately 90.1% to 65.0% (the "**Second Luck Key Disposal**"). Ever Full's subsidiary i.e. Hong Kong Cyclotron Laboratories Limited is principally engaged in the manufacturing of PET Radiopharmaceuticals for medical use and is the major supplier of raw materials (including 18F-FDG) for the Group's health check business. The acquisition of Ever Full by Luck Key Group will allow the supply of 18F-FDG to the Luck Key Group be assured, maintained and coordinated in a more efficient and effective manner, taking into account the demand for the products of Ever Full and its subsidiaries by other members of the Luck Key Group and as such will enhance operational efficiency of the Group's health check business.

The Directors considered that such two disposals created a synergetic effect to the Group's health check business by leveraging on the expertise of Town Health in respect of provision and management of healthcare services which will benefit and complement the business development of the Group's health check business in Hong Kong. The Directors are regularly reviewing the operations of health check centers and strive to improve the operational efficiency of its health check business so as to enhance its competitiveness in the market and profitability.

Money Lending Business

During the year under review, the Group's loan portfolio comprised of secured and unsecured loans. Revenue from interest income and other related income was approximately HK$131,000 (2013: HK$4,936,000). The average interest rate charged by the Group during the year under review was approximately 29% per annum.

In January and June 2014, the Group had disposed of Computech Online Limited and its subsidiaries, China Rich Finance Limited respectively, which are engaged in the money lending business. In October 2014, one of the Group's wholly-owned subsidiaries had obtained another money lenders license under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong) to carry on its money lending business. The Group is primarily focusing its resources on the investment in mobile-online game business and development of mobile-online games, and as at the end of the reporting period, there was no loan receivables yet to be collected. The Group will pay close attention to the market conditions so as to capture business opportunities in this segment when the Group has sufficient cash for the operation in money lending business.

Securities Investments

The Group's investment portfolio mainly comprises investments in listed securities. During the year under review, this segment recorded a loss of approximately HK$23,469,000 (2013: HK$239,000).

During the year under review, the Group acquired a total of 170,000,000 shares of the issued share capital of Universe International Holdings Limited ("**Universe International**" together with its subsidiaries "**Universe International Group**"), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1046). Universe International Group is principally engaged in the distribution of films in various videogram formats, film exhibition, licensing and sub-licensing of film rights, leasing of investment properties, securities investment and money lending. As at 31 December 2014, the Group held approximately 6.84% of the issued share capital of Universal International. As the fair value of Universe International as at 31 December 2014 was lower than the cost, the Group recorded an impairment loss on available-for-sale investments of approximately HK$23,120,000 in the statement of profit or loss. The Group will continue optimizing its investment portfolios and will consider realising its existing securities investments when opportunities arise so as to create value for the shareholders of the Company.

IT Business
The revenue of IT business for the year was approximately HK$3,137,000 (2013: HK$48,487,000) and this segment recorded a profit of approximately HK$64,000 (2013: loss of HK$684,000).

During the year under review, the Group disposed of its entire equity interest in Well In Technology Development Limited and the Group's 90% interest in EPRO Systems (S) Pte Ltd, which are both engaged in the provision of IT services due to their unsatisfactory performance. On the other hand, the Group is exploring potential business opportunity in building and developing an educational platform through mobile applications and computer softwares.

PROSPECTS

In 2014, the mobile game market moved towards a higher level in terms of sophistication and globalization. With the increasing popularity of various innovative portable devices, including smartphone, a change in consumption pattern in entertainment has been witnessed in the past few years. In the mobile game market, there is an increasing number of mobile game players, and more and more mobile game players are willing to spend money on mobile games. Nevertheless, the mobile-online game industry is highly competitive with low barriers to enter the industry and it was expected there will be more companies to enter this industry and a wider range of games will be introduced. To cater to the diverse preferences of entertainment and encounter the competition in the market, the Group has gradually expanded its focus from mobile-online games to encompass games, movies, children education campaigns and other cultural resources as part of its business development strategy. The Group will not only continue to look for potential investment in mobile-online game designer and operators, but will also seek to license high quality intellectual properties, so as to realise its pan-entertainment strategy.

With respect to game's intellectual property, Mighty Eight Group has launched an official licenced mobile-online game of NBA namely "NBA Hero" on the Apple Inc.'s APP Store in January 2015. Such game was awarded with the "Most Anticipated Sports Game of the Year" in the IMGF and the "2014 Most Anticipated Game Gold Apple Award" in the 2015 10th TFC Global Mobile Game Conference. It was expected that the launch of "NBA Hero" will provide positive and stable return to the Mighty Eight Group and so as to the Group in 2015.

As an integral part of the strategy to broaden the Group's offering of mobile-online games, in November 2014, the Group entered into a capital injection agreement with 上海熱爪數碼科技有限公司 (Shanghai Re Zhua Digital Technology Co., Ltd.*) ("**Re Zhua**"), a company incorporated in the PRC and is principally engaged in the development of mobile-online games pursuant to which the Group has conditionally agreed to inject RMB3 million into Re Zhua.

In the meantime, riding on the synergetic effect of the capital injection in Zhiqu during the year to offer games related integral marketing services, the Group has a positive outlook on integral marketing business and will continue to seek similar business partners to enhance its current market positing as an integral marketing services provider. In January 2015, the Group has acquired 49% of the issued share capital of Cannes Films Cultural Investment Limited, its subsidiary of which is principally engaged in the provision of integral advertising agency services (including but not limited to video production, event production, marketing solution, digital marketing solution, party production, performer booking, photography and website design) and film production.

Moreover, the Group is also exploring the potential business opportunity to cooperate with 上海賽果文化傳播有限公司 (Shanghai Saiguo Cultural Media Limited*) ("**Saiguo**") in a children education activity. Saiguo is principally engaged in (i) carrying on children educational activities by coordination with various government agencies, educational institutions, social organisations and international enterprises and (ii) the provision of integrated marketing services and public relations activities. The Directors considered that such cooperation would act as a starting point of the Group to build and develop an educational platform through developing mobile applications and computer softwares. It is also believed that, through the cooperation, the Group may develop sustainable business relationship with Saiguo and create commercial value for future cooperation with Saiguo.

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FINANCIAL RESOURCES AND LIQUIDITY

As at 31 December 2014, the Group held cash and bank balances of approximately HK$53,527,000 (2013: HK$42,125,000) and has short-term borrowings of approximately HK$15,000,000 (2013: Nil) which are repayable within one year. As at 31 December 2014, the net current assets of the Group was approximately HK$56,983,000 (2013: HK$85,445,000). The Group's current ratio, i.e. current assets over its current liabilities, was approximately 2.2 times (2013: 6.8 times).

As at 31 December 2014, the Group's gearing was 0.12 (2013: 0.08), calculated on the basis of total liabilities to total assets.

CAPITAL STRUCTURE

As at 31 December 2014, the Group had shareholders' equity of approximately HK$326,012,000 (2013: HK$161,911,000).

Placing of new shares under specific mandate

On 12 November 2013, the Company and CNI Securities Group Limited ("**SM Placing Agent**") entered into the conditional placing agreement, pursuant to which the Company had conditionally agreed to place through the SM Placing Agent, on a best endeavour basis, up to 190,000,000 new ordinary shares of HK$0.10 each in the share capital of the Company ("**SM Placing Share**"), to not less than six placees who and whose ultimate beneficial owners are third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates, at a price of HK$0.128 per SM Placing Share ("**SM Placing**") ("**SM Placing Agreement**"), which represented: (i) a discount of approximately 15.79% to the closing price of HK$0.152 per share of the Company as quoted on the Stock Exchange on the date of the SM Placing Agreement; and (ii) a premium of approximately 0.16% over the average closing price of HK$0.1278 per share of the Company as quoted on the Stock Exchange for the five consecutive trading days of the shares of HK$0.10 each in the share capital of the Company immediately prior to the date of the SM Placing Agreement.

On 27 January 2014, completion of the SM Placing took place in accordance with the terms and conditions of the SM Placing Agreement. The Company received net proceeds of approximately HK$23.1 million from the SM Placing. The net issue price was approximately HK$0.122 per SM Placing Share. The aggregate nominal value of the SM Placing Shares under the SM Placing was HK$1,900,000 after the Capital Reorganisation (as defined below) became effective.

The Directors were of the view that the SM Placing can improve the gearing ratio of the Group as it will enlarge the base of the Company's shareholders' fund. The Directors considered that the SM Placing was in the interest of the Company and the shareholders of the Company as a whole.

The entire net proceeds from the SM Placing had been applied for the acquisition of 5% issued capital of Mighty Eight, details of which are set out in the announcement of the Company dated 29 January 2014.

Capital reduction and share subdivision

On 4 February 2014, the Group announced to implement the capital reorganisations (the "**Capital Reorganisation**") that (i) the par value of each of the issued existing shares will be reduced from HK$0.10 to HK$0.01 each by cancelling the paid up capital to the extent of HK$0.09 per issued existing share (the"**Capital Reduction**") and (ii) immediately following the Capital Reduction becoming effective, each authorised but unissued existing share with a par value of HK$0.10 will be subdivided into ten (10) unissued new shares with par value of HK$0.01 each ("**Share Subdivision**") and (iii) the credits arising from the Capital Reduction will be applied towards setting off the accumulated losses of the Company as at the effective date of the Capital Reduction (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 which may be utilised by the Directors as a distributable reserve in accordance with the articles of association of the Company ("**Articles**") and all applicable laws and rules (including the GEM Listing Rules). The Capital Reduction and the Share Subdivision had become effective after 4:30 p.m. (Hong Kong time) on 11 July 2014. Details of the Capital Reorganisation were set out in the Company's circular dated 14 February 2014 and the Company's announcements dated 4 February 2014, 10 March 2014 and 14 July 2014.

Rights issue

On 21 March 2014, the Company announced to raise approximately HK$71.7 million before expenses by way of rights issue, on the basis of one rights share of HK$0.10 each in the share capital of the Company for every two existing shares held on the 23 April 2014 at the subscription price of HK$0.128 per rights share ("**Rights Issue**"). The number of right shares proposed to be issued was 560,428,810 ("**Rights Shares**"). The Company and Win Fung Securities Limited ("**Underwriter**") entered into the underwriting agreement ("**Underwriting Agreement**"), pursuant to which the Underwriter had conditionally agreed to underwrite all the Rights Shares, at a price of HK$0.128 per Rights Shares with nominal value of HK$0.10 each, which represented: (i) a discount of approximately 23.35% to the closing price of HK$0.167 per share of the Company as quoted on the Stock Exchange on 20 March 2014, being the full trading date of the shares of the Company on the Stock Exchange immediately prior to the date of Underwriting Agreement ("**Last Trading Day**"); (ii) a discount of approximately 22.52% to the closing price of approximately HK$0.1652 per share of the Company for the five consecutive trading days ended on the Last Trading Day; (iii) a discount of approximately 26.18% to the average closing price of approximately HK$0.1734 per share of the Company for the ten consecutive trading days ended on the Last Trading Day; and (iv) a discount of approximately 16.88% to the theoretical ex-rights price of approximately HK$0.154 per share of the Company based on the closing price of HK$0.167 per share of the Company as quoted on the Stock Exchange on the Last Trading Day. Completion of the Rights Issue took place on 21 May 2014. Details of the Rights Issue were set out in the Company's prospectus dated 24 April 2014 and the Company's announcements dated 21 March 2014 and 20 May 2014.

The entire net proceeds from the Rights Issue was approximately HK$68.8 million and had been applied, as to (i) approximately HK$2 million to pay up the registered capital of a wholly-owned subsidiary of the Company for developing the Group's mobile-online game business; (ii) approximately HK$61.8 million for the acquisition of 13% issued share capital of Mighty Eight, details of which were set out in the circular of the Company dated 19 June 2014 and announcement of the Company dated 14 July 2014; and (iii) approximately HK$5 million for general working capital of the Group.

Issue of shares under general mandate

On 6 June 2014, the Company and China New Economy Fund Limited (the "**Subscriber**") entered into a subscription agreement (the "**Subscription Agreement**") pursuant to which the Subscriber had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue, 224,166,000 new ordinary shares of the Company (the "**Subscription Share**") at the subscription price of HK$0.10 per share (the "**Subscription**"), which represented: (i) a discount of approximately 9.09% to the closing price of HK$0.11 per share of the Company as quoted on the Stock Exchange on the date of the Subscription Agreement; and (ii) a discount of approximately 10.87% to the average of the closing price of HK$0.1122 per share of the Company as quoted on the Stock Exchange for the last five consecutive trading days immediately prior to the date of the Subscription Agreement; and (iii) a discount of approximately 12.20% to the average of the closing price of HK$0.1139 per share of the Company as quoted on the Stock Exchange for the last ten consecutive trading days immediately prior to the date of the Subscription Agreement.

On 16 June 2014, completion of the Subscription took place in accordance with the terms and conditions of the Subscription Agreement. The net proceeds of the Subscription was HK$22.2 million, representing a net issue price of approximately HK$0.099 per Subscription Share, and (i) as to approximately HK$5.2 million had been applied 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 were set out in the announcements of the Company dated 28 May 2014 and 14 August 2014; and (ii) as to approximately HK$17 million was intended to apply for general working capital of the Group, of which approximately HK$7 million had been utilised as at the date of this announcement.

The Directors considered that the Subscription represented good opportunities to raise additional funds at a reasonable cost for the Company. The Subscription also set ground for future business cooperation with the Subscriber if opportunity arises which will be beneficial to the business strategy and development of the Group. The aggregate nominal value of the Subscription Share under the Subscription was HK$2,241,660 after the Capital Reorganisation became effective.

Issue of shares under specific mandate

On 18 June 2014, the Company and Turbo Pointer Limited ("**Turbo Pointer**") entered into a subscription agreement (the "**Turbo Pointer Subscription Agreement**") pursuant to which Turbo Pointer had conditionally agreed to subscribe for, and the Company had conditionally agreed to allot and issue, 381,078,000 new ordinary shares of the Company (the "**Turbo Pointer Subscription**") at the subscription price of HK$0.118 per share, which represented: (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 Turbo Pointer Subscription Agreement; and (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 Turbo Pointer Subscription Agreement; and (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 Turbo Pointer Subscription Agreement.

On 21 July 2014, completion of the Turbo Pointer Subscription took place in accordance with the terms and conditions of the Turbo Pointer Subscription Agreement. The net proceeds of the Subscription was HK$44.47 million and had been applied as to (i) approximately HK$20.47 million for the acquisition of additional 6% issued capital of Mighty Eight, details of which are disclosed in the announcements of the Company dated 13 August 2014 and 5 September 2014; and (ii) approximately HK$24 million for early repayment of borrowings of the Group. The net issue price was approximately HK$0.117 per subscription share. The aggregate nominal value of the 381,078,000 subscription shares under the Turbo Pointer Subscription was HK$3,810,780 after the Capital Reorganisation became effective.

The Directors considered that the Turbo Pointer Subscription represented 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 believed that as Turbo Pointer is wholly-owned by Mr. Zhang Xiongfeng, an executive Director and the chairman of the Board ("**Chairman**"), Mr. Zhang Xiongfeng will be more committed to the furtherance of the development of the Group's business.

Placing of new shares under refreshed general mandate

On 13 August 2014, the Company and Astrum Capital Management Limited ("**GM Placing Agent**") entered into the conditional placing agreement, pursuant to which the Company had conditionally agreed to place through the GM Placing Agent, on a best endeavour basis, up to 209,592,000 new ordinary shares of HK$0.01 each in the share capital of the Company (the "**GM Placing Share**"), to not less than six placees who and whose ultimate beneficial owners are third party(ies) independent of and not connected with the Company and any of its connected persons or their respective associates, at a price of HK$0.134 per GM Placing Share (the "**GM Placing**") (the "**GM Placing Agreement**"), which represented: (i) a discount of approximately 19.76% to the closing price of HK$0.167 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 18.89% to the average closing price of HK$0.1652 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares immediately prior to the date of the Placing Agreement. The GM Placing Shares was allotted and issued pursuant to the general mandate granted to the Directors at the extraordinary general meeting of the Company held on 12 August 2014.

On 28 August 2014, completion of the GM Placing took place in accordance with the terms and conditions of the GM Placing Agreement. The Company received net proceeds of approximately HK$27.37 million from the GM Placing. The net issue price was approximately HK$0.131 per GM Placing Share. The aggregate nominal value of the GM Placing Share under the GM Placing was HK$2,095,920.

The Directors were of the view that the GM Placing can provide funds for the Group to increase its investment in its mobile-online game business, which is in line with the Group's development strategy to invest in mobile-online game business, the Company's business focus in the mobile-online game business and the Group's objective to become one of the leading players in the mobile-online game industry. The Directors considered that the GM Placing was in the interest of the Company and its shareholders as a whole.

The net proceeds from the GM Placing had been applied for the additional acquisition of 6% issued share capital in Mighty Eight, details of which were set out in the announcements of the Company dated 13 August 2014 and 5 September 2014.

FOREIGN EXCHANGE

The Group mainly generated revenue and incurred costs in Hong Kong dollars and Renminbi. In accordance with the Group's conservative treasure policy, the Group did not invest in any derivative product for hedging during the period. Nevertheless, the Group will keep monitoring the foreign currency risk and consider any tool for hedging where necessary.

CHARGE ON THE GROUP'S ASSETS

As at 31 December 2014, the Group did not have any charge on assets.

CAPITAL COMMITMENTS

As at 31 December 2014, the Group had capital expenditure commitments contracted for acquiring property, plant and equipment and the investment in an associate of approximately HK$5,536,000 (2013: HK$294,000). The Group had sufficient internal resources to finance its capital expenditures.

CONTINGENT LIABILITIES

As at 31 December 2014, the Group did not have any material contingent liabilities (2013: Nil).

EMPLOYEES REMUNERATION POLICIES

As at 31 December 2014, the Group had approximately 230 employees (2013: 210). Staff (including the Directors) salaries, allowances and bonuses totaled approximately HK$101,376,000 for the year (2013: HK$30,147,000), of which HK$87,196,000 (2013: HK$24,260,000) was attributable to the Group's health check business, which was commenced in October 2013. The Group continues to maintain and upgrade the capabilities of its workforce by providing them with adequate and regular training.

Remuneration of employee is determined by reference to industry practices and performance, qualification and experience of individual employee.

The emolument policy of the Directors are decided by the Board, taking into account recommendation of the remuneration committee of the Board, having regard to merit, qualifications and competence of the Directors.

On top of regular remuneration, discretionary bonus and share options which may be granted to employees and the Directors by reference to the Group's performance as well as individual performance of such employees and/or Directors, other benefits include contributions to statutory mandatory provident fund scheme and medical scheme to the employees.

The Company adopted the share option scheme on 10 November 2010 and the Board is authorised, at its absolute discretion, to grant options to eligible participants including any employee, contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any Director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Group 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 to the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the year ended 31 December 2014.

CORPORATE GOVERNANCE PRACTICE

The Company is committed to achieving and upholding good corporate governance practices that promote greater transparency and quality of disclosure as well as more effective internal control.

The Company has adopted the code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "**Code Provisions**") as its code of corporate governance.

Save for the deviation stated in relation to segregation of the roles of the Chairman and Chief Executive Officer and terms of appointment of independent non-executive Directors as set out below, the Company has complied with the Code Provisions throughout the year ended 31 December 2014.

Code Provision A.2.1 stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same individual. During the period from 1 January 2014 to 29 January 2014, the Company did not have any offices with the title of "chief executive officer" as the duties of chief executive officer was discharged by the executive Directors collectively by undertaking the day-to-day management of the Company's business, whereas the Chairman is responsible for management of the Board and strategic planning of the Group. The Board considers that the vesting of the roles of chief executive officer into the executive Directors will not impair the balance of power and authority within the Board as all major decisions are made in consultation with members of the Board during the period from 1 January 2014 to 29 January 2014. As the workload of the executive Directors have been increasing due to the business development of the Group, the Board considers that the appointment of a chief executive officer will lead to more effective implementation of the overall strategy and ensure smooth operation of the Group. As such, the Company appointed Mr. Zhang Peiao as an executive Director and the Chief Executive Officer on 30 January 2014. Since 30 January 2014, the roles of chairman and chief executive officer have been segregated and have not been exercised by the same individual. The Chairman provides leadership, management for the Board whereas the Chief Executive Officer is responsible for the Group's business development and daily management generally.

Code Provision A.4.1 stipulates that non-executive Directors should be appointed for a specific term, subject to re-election. Given that all independent non-executive Directors are subject to the provisions of retirement by rotation at least once every three years at annual general meeting of the Company under the articles of association of the Company (the "**Articles**"), the Directors are of the view that such provision in the Articles has been able to safeguard corporate governance of the Company after taking into account the scope of works to be carried out by the independent non-executive Directors, and therefore there are no specified term of appointment for the independent non-executive Directors and they will continue to hold offices unless terminated by either party giving to the other not less than one month notice in writing. To further reinforce corporate governance of the Company, each of Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing has entered into a re-appointment letter with the Company on 1 January 2015 for a term of 12 months commencing from 1 January 2015.

DIRECTORS' SECURITIES TRANSACTIONS

The Company had adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors, that the Directors have complied with the required standard of dealings and its code of conduct regarding Directors' securities transactions and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions.

REVIEW OF THE RESULTS ANNOUNCEMENT

The Group's audited consolidated results for the year ended 31 December 2014 have been reviewed by the audit committee of the Board. The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Group's auditor, PKF, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PKF in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PKF on the preliminary announcement.

By the order of the Board
China Mobile Games and Cultural Investment Limited
Zhang Peiao
Executive Director

25 March 2015

As at the date of this announcement, 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.