THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Sumpo Food Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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This circular appears for information purpose only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities in Sumpo Food Holdings Limited.

SUMPO FOOD HOLDINGS LIMITED

森寶食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

(1) MAJOR TRANSACTION IN RELATION TO THE RESPECTIVE ACQUISITION AND POTENTIAL ACQUISITION OF 58% AND 3% OF THE ENTIRE ISSUED SHARE CAPITAL OF DIGITAL EXTREMES; (2) NEW SHAREHOLDERS' AGREEMENT; (3) SIDE AGREEMENT; AND (4) PROPOSED CHANGE OF COMPANY NAME

A notice convening the EGM to be held at Empire Hotel, 33 Hennessy Road, Wan Chai, Hong Kong on 27 January 2015 is set out on pages EGM-1 to EGM-2 of this circular. Whether or not you are able to attend and/or vote at the EGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

23 December 2014

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

"Acquisition"	the acquisition of the Sale Shares by Multi Dynamic Games and Perfect Online from the Vendors pursuant to the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 14 October 2014 entered into between the Purchasers, the Vendors, the Vendor Guarantors and Digital Extremes in respect of the Acquisition
"Actual Operational Results"	the Net Profit of Digital Extremes for the Target Year
"Announcement"	the announcement dated 14 October 2014 of the Company in relation to, among other things, the Acquisition
"associate(s)"	has the meaning ascribed to it in the Listing Rules
"Board"	the board of Directors
"Business Day"	a day (excluding Saturdays and Sundays and public holidays in Hong Kong, the PRC or Canada) on which banks are generally open for business in Hong Kong, the PRC or Canada
"C$"	Canadian dollars, the lawful currency of Canada
"Calculation Date"	means the later of the date that Multi Dynamic Games delivers the Call Notice and 31 December 2015
"Closing"	the completion of the purchase and sale of the Sale Shares
"Closing Statements"	a statement which shall be delivered by the Purchasers to the Vendors or otherwise determined in accordance with the Acquisition Agreement, that sets out (i) the calculation of Net Profit for the Target Year; and (ii) the calculation of Excess Receivables and N-Space Loan at the Closing, prepared in accordance with IFRS
"Company"	Sumpo Food Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Stock Exchange (Stock Code: 1089)

"connected person"	has the meaning ascribed thereto under the Listing Rules
"Consideration"	US$73.2 million, as adjusted, being the total consideration payable by the Purchasers to the Vendors for the Acquisition pursuant to the Acquisition Agreement
"Covenantors"	collectively, the Vendors and the Vendor Guarantors
"Digital Extremes"	Digital Extremes Ltd., a company incorporated under the laws of Ontario, Canada
"Digital Extremes Board"	the board of directors of Digital Extremes
"Digital Extremes Employee Share Trust"	an *inter vivos* trust created in Ontario, Canada which shall be the legal and beneficial holder of 3,180,000 common shares in Digital Extremes immediately prior to the Closing
"Digital Extremes Group"	means Digital Extremes and all its direct or indirect subsidiaries and branches, as may exist from time to time
"Director(s)"	the director(s) of the Company
"Distributable Profits"	means the after-tax net profit of Digital Extremes earned and attributable to the period from the date of Closing to the Calculation Date, determined under IFRS, which are legally available for distribution, but have not been declared or distributed or paid, to the holders of any class of shares of Digital Extremes
"EGM"	the extraordinary general meeting of the Shareholders to be held at Empire Hotel, 33 Hennessy Road, Wan Chai, Hong Kong on 27 January 2015 at 2:00 p.m. for the Shareholders to consider and, if thought fit, approve the Acquisition, the Potential Acquisition, the Acquisition Agreement, the New Shareholders' Agreement and the transactions contemplated thereunder, and the Proposed Change of Company Name
"EUR"	Euro, the lawful currency of the participating member states of the European Union
"Enlarged Group"	the Group as enlarged by the Acquisition

"Expected Operational Target"	means US$20 million
"Game"	means (i) the localized version of the game known as "Warframe" developed by Digital Extremes to be released on console gaming systems (boxed and digital) and (ii) any updates, to such current version that are developed by Digital Extremes during the term of the Exclusive Distribution Agreement; and (iii) all aspects and components including, without limitation, trademarks, copyrights, patents, other intellectual property rights, technical Information, designs, technical designs, and gameplay etc. The term "Game" shall not include any other version of a game including, but not limited, PC, handheld, mobile, tablet or any other version of the game. If applicable, "Game" shall also include any downloadable content Digital Extremes elects to commercially release in the Territory
"GBP"	Sterling, the lawful currency of the United Kingdom
"Group"	the Company and its subsidiaries
"Hong Kong"	Hong Kong Special Administrative Region of the People's Republic of China
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"IFRS"	International Financial Reporting Standards
"Investment Canada Act"	means the *Investment Canada Act*, and the regulations promulgated thereunder
"Investment Canada Act Approval"	means that the Purchasers have been advised in writing that the Minister designated under the Investment Canada Act is satisfied, or the Minister is deemed to be satisfied, that the acquisition of Digital Extremes contemplated by the Acquisition Agreement is likely to be of net benefit to Canada
"JPY"	Yen, the lawful currency of Japan
"Latest Practicable Date"	19 December 2014, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining information contained in this circular
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange

"Multi Dynamic Games"	Multi Dynamic Games Group Inc., a company incorporated in Ontario, Canada and an indirect wholly-owned subsidiary of the Company as at the Latest Practicable Date
"Net Profit"	means the consolidated after-tax profit of the Digital Extremes Group for the Target Year determined under IFRS, which shall be determined in accordance with the following formula: NP = NI + B + TC + SB Where: NP = net profit for the Target Year NI = after tax consolidated net income for the Target Year B = management performance/designated bonus declared or accrued in that Target Year less the tax impact in that Target Year (for the purpose of calculating the "Net Profit" in this definition, management performance/ designated bonuses shall be subject to a cap of C$4.17 million) TC = transaction costs related to the sale and purchase of the Sale Shares contemplated in the Acquisition Agreement incurred by the Digital Extremes Group in the Target Year less the tax impact in the Target Year, including any costs resulting from the triggering of any tax years upon the change of control of Digital Extremes or any additional tax year caused by any other change to Digital Extremes' fiscal year end (for the purpose of calculating the "Net Profit" in this definition, the transaction costs shall be subject to a cap of US$150,000) SB = Share based compensation expense less the tax impact for the Target Year

"Net Profit (2015)"	means the consolidated after-tax profit of the Digital Extremes Group for the 2015 calendar year determined under IFRS, which shall be determined in accordance with the following formula: NP = NI + TC + B + SB Where: NP = net profit for the 2015 calendar year NI = after tax consolidated net income for the 2015 calendar year TC = transaction costs related to the sale and purchase of the 39% Sale Shares contemplated in the Call Option Terms incurred by the Digital Extremes Group in the 2015 calendar year less the tax impact in the 2015 calendar year, including any costs resulting from the triggering of any tax years upon the change of control of Digital Extremes or any additional tax year caused by any other change to Digital Extremes' fiscal year end (for the purpose of calculating the "Net Profit (2015)" in this definition, the transaction costs shall be subject to a cap of US$150,000) SB = Share based compensation expense less the tax impact for the 2015 calendar year B = any bonuses paid during or in respect of the 2015 calendar year as contemplated in the New Shareholders' Agreement
"Net Profit Target (2015)"	means US$30,000,000
"N-Space Loan"	the outstanding principal amount as of the date of Closing that Digital Extremes has loaned to N-Space, Inc., a company having offices in Orlando, Florida
"Ontario Ltd. 1"	2375249 Ontario Ltd., a company incorporated in Ontario, Canada which shall be the legal and beneficial holder of 13,400,000 common shares and 10,000 Class B Special shares in Digital Extremes immediately prior to the Closing, and 100% owned by Mr. James Schmalz

"Ontario Ltd. 2"	2375250 Ontario Ltd., a company incorporated in Ontario, Canada which shall be the legal and beneficial holder of 1,400,000 common shares in Digital Extremes immediately prior to the Closing, and 100% owned together by Mr. Michael Schmalz and Michael Schmalz Family Trust
"Ontario Ltd. 3"	2377289 Ontario Ltd., a company incorporated in Ontario, Canada which shall be the legal and beneficial holder of 2,020,000 common shares in Digital Extremes immediately prior to the Closing, and 100% owned by Mr. Steve Sinclair
"percentage ratio"	has the meaning ascribed to it under Rule 14.07 of the Listing Rule
"Perfect Online"	Perfect Online Holding Limited, a company incorporated in Hong Kong and a wholly-owned subsidiary of Perfect World as at the Latest Practicable Date
"Perfect World"	Perfect World Co., Ltd., a company incorporated in the Cayman Islands and listed on the NASDAQ Global Select Market
"Potential Acquisition"	the potential acquisition of the Potential Remaining Sales Shares by Multi Dynamic Games pursuant to the Acquisition Agreement and the Side Agreement
"Potential Remaining Sale Shares"	600,000 common shares and 300 Class B Special Shares of Digital Extremes, representing 3.0% of its entire issued share capital, to be potentially acquired by Multi Dynamic Games pursuant to the Acquisition Agreement and the Side Agreement in the event the Potential Acquisition materializes
"PRC"	the People's Republic of China, and for the purposes of this circular excluding Hong Kong, the Macau Special Administrative Region, and Taiwan
"Proposed Change of Company Name"	the proposal by the Board to change the English name of the Company from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited" and the Chinese name of the Company from "森寶食品控股有限公司" to "樂遊科技控股有限公司" as its dual foreign name
"Purchasers"	means Multi Dynamic Games and Perfect Online

"PW Sale Shares"	600,000 common shares and 300 Class B Special shares of Digital Extremes, representing 3.0% of its entire issued share capital, to be acquired by Perfect Online pursuant to the Acquisition Agreement
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	12,200,000 common shares and 6,100 Class B Special shares of Digital Extremes, representing 61% of its entire issued share capital, to be acquired severally but not jointly by the Purchasers pursuant to the Acquisition Agreement
"Share(s)"	ordinary share(s) of HK$0.1 each in the share capital of the Company
"Shareholder(s)"	the holder(s) of the Share(s) of the Company
"Side Agreement"	an agreement dated 5 December 2014 entered into between Multi Dynamic Games and Perfect Online in respect of Perfect Online's interest in the Exclusive Distribution Agreement and the shares of Digital Extremes
"Special Director Consent"	means the consent of at least 4/5th of the directors of Digital Extremes
"Special Shareholder Consent"	means the consent of the holders of at least 2/3rds of the issued and outstanding common shares of Digital Extremes
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholder(s)"	has the meaning ascribed to it under the Listing Rules
"Sumpo Sale Shares"	11,600,000 common shares and 5,800 Class B Special shares of Digital Extremes, representing 58.0% of its entire issued share capital, to be acquired by Multi Dynamic Games pursuant to the Acquisition Agreement
"Target Year"	means the 2014 calendar year
"Term Sheet"	the non-binding term sheet dated 30 June 2014 entered into between the Purchasers, the Vendors and Digital Extremes
"US$"	United State dollars, the lawful currency of the United States of America

"%"	percentage

For illustration purposes in this circular, the amounts in US$ and C$ were translated into HK$ at the rate of US$1.00 = HK$7.75 and C$1.00 = HK$6.99 respectively. No representation is made that any amount in US$ or C$ has been or could be converted at the said rates or any other rates or at all.

SUMPO FOOD HOLDINGS LIMITED
森寶食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1089)

Executive Directors:
Mr. Lin Qinglin *(Chairman)*
Mr. Yeung Chun Wai, Anthony *(Vice Chairman)*
Mr. Wu Shiming
Mr. Yin Shouhong
Ms. Wai Ching Sum

Independent non-executive Directors:
Mr. Hu Chung Ming
Mr. Chau On Ta Yuen
Mr. Wei Ji Min

Registered Office:
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PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Suite 1020-22, 10th Floor
Two Pacific Place, 88 Queensway
Hong Kong

Head Office and Principal Place of Business in the PRC:
No.688, Denggao East Road
Xinluo District
Longyan, Fujian
PRC

23 December 2014

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE RESPECTIVE ACQUISITION AND POTENTIAL ACQUISITION OF 58% AND 3% OF THE ENTIRE ISSUED SHARE CAPITAL OF DIGITAL EXTREMES; (2) NEW SHAREHOLDERS' AGREEMENT; (3) SIDE AGREEMENT; AND (4) PROPOSED CHANGE OF COMPANY NAME

INTRODUCTION

Reference is made to the Announcement, whereby the Board announced that on 14 October 2014, the Purchasers, the Vendors, the Vendor Guarantors and Digital Extremes entered into the Acquisition Agreement pursuant to which Multi Dynamic Games, an indirect

wholly-owned subsidiary of the Company, and Perfect Online conditionally agreed to severally but not jointly acquire the Sumpo Sale Shares (representing 58.0% of the entire issued share capital of Digital Extremes) and the PW Sale Shares (representing 3.0% of the entire issued share capital of Digital Extremes) respectively from the Vendors for an aggregate consideration of US$73.2 million (equivalent to approximately HK$567.3 million) (subject to adjustment), of which US$69.6 million (subject to adjustment) is attributable to the Sumpo Sale Shares and the balance of US$3.6 million (subject to adjustment) is attributable to the PW Sale Shares. The US$40.0 million of Consideration is to be satisfied by the Purchasers in cash at the Closing, and the balance is to be satisfied by the Purchasers in cash at the Settlement Date.

The Sale Shares represent 61% of the entire issued share capital of Digital Extremes. Digital Extremes is a company incorporated under the laws of Ontario, Canada, and is a next-generation studio developing ground-breaking Free-to-Play, AAA-quality multiplatform video games.

On 5 December 2014, Multi Dynamic Games and Perfect Online entered into the Side Agreement in relation to Perfect Online's interest in the Exclusive Distribution Agreement and the shares of Digital Extremes. Please refer to details of the Side Agreement on page 21 of this circular.

Closing shall be subject to and conditional upon, among others, the entering into of the New Shareholders' Agreement by the Purchasers and Vendors, details of which are set out in the section headed "(3) New Shareholders' Agreement" on page 23 of this circular.

Reference is also made to the announcement of the Company dated 25 November 2014, whereby the Board proposes to change the English Name of the Company from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited" and the Chinese name of the Company from "森寶食品控股有限公司" to "樂遊科技控股有限公司" as its dual foreign name.

The purpose of this circular is to provide you with, among other things, (i) further information on the Acquisition, the Potential Acquisition, the Side Agreement and the New Shareholders' Agreement; (ii) further information on the business of Digital Extremes; (iii) financial information on Digital Extremes; (iv) the unaudited pro forma financial information of the Enlarged Group; (v) further information on the Proposed Change of Company Name and (vi) a notice convening the EGM together with the proxy form and other information as required under the Listing Rules.

(1) THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are set out below:

Date

14 October 2014

Parties

Purchasers:	Multi Dynamic Games; and Perfect Online
Vendors:	Ontario Ltd. 1; Ontario Ltd. 2; Ontario Ltd. 3; and Digital Extremes Employee Share Trust
Vendor Guarantors:	Mr. James Schmalz; Mr. Michael Schmalz; and Mr. Steve Sinclair
Other signing party:	Digital Extremes

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, Perfect Online, the Vendors, the Vendor Guarantors and Digital Extremes are third parties independent of the Company and its connected persons (as defined in the Listing Rules) as at the Latest Practicable Date.

As at the Latest Practicable Date, each of Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust holds approximately 67.0%, 7.0%, 10.1% and 15.9% of the voting share capital of Digital Extremes, respectively; and the Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, are wholly-owned by Ontario Ltd. 1., Mr. James Schmalz, Mr. Michael Schmalz and Mr. Steve Sinclair are the sole shareholders or otherwise control each of Ontario Ltd. 1, Ontario Ltd. 2 and Ontario Ltd. 3, respectively. The principal activities of Ontario Ltd. 1, Ontario Ltd. 2 and Ontario Ltd. 3 are investment holding.

Assets to be acquired

The Sale Shares represent 61% of the entire issued share capital of Digital Extremes. Of the Sale Shares, Multi Dynamic Games conditionally agreed to acquire the Sumpo Sale Shares, representing 58.0% of the entire issued share capital of Digital Extremes. The remainder of the Sale Shares is to be acquired by Perfect Online.

Upon Closing, Digital Extremes will become an indirect 58.0% owned subsidiary of the Company, and the consolidated profit or loss and assets of Digital Extremes will be accounted for in the consolidated financial statements of the Group.

Consideration

Pursuant to the Acquisition Agreement, the Consideration of US$73.2 million (equivalent to approximately HK$567.3 million) (subject to adjustment) shall be satisfied by the Purchasers in accordance with their respective acquisition percentages in cash in the following manner:

(i) US$40.0 million (equivalent to approximately HK$310.0 million) (the "**Cash Consideration**") shall be payable by the Purchasers to the Vendors at the Closing; and

(ii) the balance of the Consideration of US$33.2 million (equivalent to approximately HK$257.3 million) (subject to adjustment) (the "**Balance Consideration**") shall be payable by the Purchasers to the Vendors on the third Business Day after the final determination of the Closing Statements and adjusted Consideration, or at such other time and date as may be mutually agreed upon by the Vendors and the Purchasers (the "**Settlement Date**").

For the avoidance of doubt, of the Consideration of US$73.2 million (equivalent to approximately HK$567.3 million), the amount payable by Multi Dynamic Games and Perfect Online for the Sumpo Sale Shares (representing 58.0% of the entire issued share capital of Digital Extremes) and the PW Sale Shares (representing 3.0% of the entire issued share capital of Digital Extremes) shall be US$69.6 million (equivalent to approximately HK$539.4 million) and US$3.6 million (equivalent to approximately HK$27.9 million) respectively (subject to adjustment).

Of the Consideration of US$73.2 million (equivalent to approximately HK$567.3 million), it is expected that the amount payable by Multi Dynamic Games for the Sumpo Sale Shares of US$69.6 million (equivalent to approximately HK$539.4 million) will be settled by the proceeds from equity fund raising exercise. As at the Latest Practicable Date, the Company (i) has not made any concrete agreement and arrangement in relation to equity fund raising; and (ii) has not made any share placement with any potential investors.

In the event the equity fund raising plan is implemented by the Company to raise the amount payable by Multi Dynamic Games for the Sumpo Sale Shares of US$69.6 million (equivalent to approximately HK$539.4 million), solely for illustration purposes, based on the average closing price of HK$0.923 per Share for the last thirty trading days up to and including the Latest Practicable Date, approximately 584,398,700 new Shares (the "**Potential New Shares**") would be issued, representing approximately 29.3% of the issued share capital of the Company as at the Latest Practicable Date and approximately 22.7% of the issued share capital of the Company as enlarged by the Potential New Shares.

The actual number and final issue price of any potential new Shares are not yet finalized or confirmed as at the Latest Practicable Date. Shareholders should take note of the potential dilution on their shareholding interests in the Company upon materialisation of the equity fund raising plan mentioned above.

In the event the equity fund raising plan fails to proceed, it is expected that the amount payable by Multi Dynamic Games for the Sumpo Sale Shares of US$69.6 million (equivalent to approximately HK$539.4 million) will be settled by way of proceeds from Shareholders' loan, bank borrowing, and/or debt financing. As at the Latest Practicable Date, the Company has not made any concrete agreement and arrangement in relation to Shareholders' loan, bank borrowing and/or debt financing.

The Consideration was arrived at after arm's length negotiations between the parties to the Acquisition Agreement and was determined after having taken into account, among other things, (i) the historic financial performance of Digital Extremes; (ii) the Expected Operational Target and the possible adjustments to the Consideration as summarized in the section headed "Consideration adjustments" below; (iii) the assessment on the prospects of the video game industry by the Company's management; and (iv) the future development of Digital Extremes, in particular the prospects of its self-developed titles.

Security for Balance Consideration

The Balance Consideration shall be secured by a pledge of the Sale Shares (the "**Share Pledge**"). If any or all Purchaser(s) fail(s) to pay its portion of the Balance Consideration when due on the Settlement Date, and none of the Purchasers has remedied such failure by paying the unpaid portion of the Balance Consideration within seven Business Days after the Vendors have delivered a written notice to the Purchasers to request for such payment, (i) the Purchasers shall transfer back to the Vendors the Sale Shares; (ii) the Vendors shall be entitled to retain the Cash Consideration as liquidated damages; and (iii) the Vendors shall return any portion of the Balance Consideration received by it to the Purchaser that paid such amount.

Consideration adjustments

If the Actual Operational Results is less than the Expected Operational Target of US$20 million, the Consideration shall be reduced by an amount (the "**Deducted Amount**"), which shall be calculated by using the following formula:

D1 = (X1-X2)/X1 * US$73,200,000

Where:

D1 = Deducted Amount

X1 = Expected Operational Target (being US$20,000,000)

X2 = Actual Operational Results

The Deducted Amount shall be applied to reduce the Balance Consideration.

If the Deducted Amount exceeds US$33.2 million (equivalent to approximately HK$257.3 million), the Covenantors shall on the Settlement Date, unconditionally and irrevocably pay each Purchaser an amount (the "**Indemnified Amount**"), which shall be calculated by using the following formula:

(D1-US$33,200,000) * A/61%

Where:

D1 = *Deducted Amount*

A = *For Multi Dynamic Games: 58.0%*
For Perfect Online: 3.0%
(provided that if Multi Dynamic Games has exercised Sumpo's Right and acquired all of the Sale Shares, then Multi Dynamic Games shall be entitled to the entire Indemnified Amount, i.e., for Multi Dynamic Games, "A" shall be 61%, and for Perfect Online, "A" shall be 0%)

Under no circumstances shall the aggregate Indemnified Amount payable to the Purchaser(s) by the Covenantors exceed US$40.0 million (equivalent to approximately HK$310.0 million).

For the avoidance of doubt, (i) the Deducted Amount shall only be applied to reduce, but not to increase, the Consideration; and (ii) if the Deducted Amount exceeds US$33.2 million, the Purchaser(s) shall no longer be liable to pay any of the Balance Consideration and the Vendors shall immediately, unconditionally and irrevocably release all security interest under the Share Pledge.

Permitted Distributions

Prior to the Closing, Digital Extremes may declare and pay dividends in the following situations:

(i) If the aggregate cash and bank balances of the Digital Extremes Group as at the close of business of the date of the Closing (the "**Actual Closing Cash Balance**") (for the avoidance of doubt, to the extent any fees and expenses owing by any member of the Digital Extremes Group under any Finder Agreement have not been settled as of the date of Closing, the Actual Closing Cash Balance shall be deemed to have been reduced by an amount equal to such fees and expenses) is greater than the Minimum Cash Balance, Digital Extremes shall declare a dividend equal to the difference between the Actual Closing Cash Balance and the Minimum Cash Balance (the "**Excess Cash**") on the shares of Digital Extremes held by one or more of the Vendors as the Vendors may determine. Such dividend shall be paid within three Business Days of the Closing.

(ii) If the Digital Extremes Group's aggregate trade receivables (for the avoidance of doubt, excluding any N-Space Loan) exceed its aggregate trade payables as at the close of business of the date of the Closing, as determined in the Closing Statements (the excessive portion being the "**Excess Receivables**"), Digital Extremes shall declare a dividend equal to the Excess Receivables on the shares of Digital Extremes held by one or more of the Vendors as the Vendors may determine. Such dividend shall be payable at the same time as the Balance Consideration becomes due and payable, provided that such trade receivables have been unconditionally and irrevocably collected by the Digital Extremes Group. If, at the same time as the Balance Consideration becomes due and payable, such trade receivables have not been unconditionally and irrevocably collected by the Digital Extremes Group, such Excess Receivables shall only be payable at the time when such trade receivables have been so unconditionally and irrevocably collected by the Digital Extremes Group.

(iii) Digital Extremes shall declare a dividend in an amount equal to the N-Space Loan on the shares of Digital Extremes held by one or more of the Vendors as the Vendors may determine. Such dividend shall be payable within three Business Days after an amount equal to the N-Space Loan has been unconditionally and irrevocably repaid by N-Space, Inc. to Digital Extremes. For greater certainty, all repayments of principal and interest received by Digital Extremes from N-Space, Inc. shall be applied first to the repayment of amounts owing in respect of the N-Space Loan until such amounts have been repaid in full, and then to any additional loans made by Digital Extremes to N-Space, Inc. after the Closing.

From the date of Acquisition Agreement until the Closing, no other dividends, distributions, bonuses or other payables shall be declared or accrued or paid directly or indirectly to any Covenantor or any other shareholder of any member of the Digital Extremes Group, except such dividends as mentioned above or the bonuses previously declared by the Digital Extremes Group which amounted to approximately C$4.17 million or unless otherwise agreed in writing by the Purchasers.

Conditions precedent

Closing shall be subject to and conditional upon the fulfillment of the certain conditions precedent.

(i) Conditions precedent in favour of the Purchasers including, among others, the following:

(a) All approvals, consents and waivers necessary for consummation of the transactions contemplated by the Acquisition Agreement and each other transaction agreement or required under any contract, which shall remain effective as of the date of Closing, including (i) the passing by Shareholders of all necessary resolutions at the EGM necessary to give effect to the transactions contemplated under the Acquisition

Agreement; (ii) approvals from any relevant stock exchange, securities commission or other securities regulator; and (iii) approvals from any governmental authority including without limitation the Canadian Ministry of Economic Development, Employment and Infrastructure and the National Research Council Canada;

(b) Perfect Online or its affiliates shall have entered into the exclusive distribution agreement with Digital Extremes, pursuant to which, among other things, Perfect Online or its affiliates shall have an exclusive right to publish Warframe on console platform, in the PRC (the "**Exclusive Distribution Agreement**"), in form and substance satisfactory to Perfect Online;

(c) The cash and bank balances held by Digital Extremes shall not be less than C$5,000,000, (1) excluding any cash and bank balances generated from (i) loans other than those already disclosed to the Purchasers as at the date of Acquisition Agreement; (ii) increase in payables as a result of any delay in payment of any amount to third parties past due; (iii) decrease in receivables as a result of acceleration of collection in manners inconsistent with Digital Extremes' past practices and credit policies; (iv) any act not in the ordinary and usual course of business of Digital Extremes which is intended to increase or has the effect of increasing the cash and bank balances of Digital Extremes without any genuine commercial reasons; and (2) after reserving or deducting funds for any and all dividends, distributions, bonuses, loans and payables that have been declared or accrued or outstanding but unpaid as of date of Closing, other than the dividends contemplated in (ii) and (iii) in the section headed "Permitted Distributions" above (the "**Minimum Cash Balance**");

(d) The Covenantors and all other parties to the original shareholders' agreement shall have entered into a termination agreement to terminate the original shareholders' agreement, effective as at and from the Closing; and the Vendors and all other parties named therein shall have entered into a new shareholders' agreement in respect of the Digital Extremes Group to govern the relationship among shareholders of Digital Extremes and the management of Digital Extremes (the "**New Shareholders' Agreement**") in form and substance satisfactory to the Purchasers;

(e) On or prior to the date of Closing, Digital Extremes shall have irrevocably and unconditionally assigned (a) an agreement dated 23 April 2013 entered into between Digital Extremes and Corum Group Ltd. and (b) an agency representation agreement dated 15 March 2012 entered into between Digital Extremes and Interactive Studio Management, LLC, as amended by agreement made as of 17 June 2013 (collectively, the "**Finder Agreements**" and each a "**Finder Agreement**") to the Covenantors, and each and every party thereto

shall be released from and in respect of any claim it may then have or may at any time in the future have against Digital Extremes in respect of any matter arising in respect of any Finder Agreement to the satisfaction of the Purchasers before the Closing;

(f) The constitutional documents of the Digital Extremes Group shall be amended as may be mutually agreed by the parties to the Acquisition Agreement, and shall have been duly adopted by the Digital Extremes Group by all necessary corporate actions of its board of directors and its shareholders and duly filed with the relevant governmental authorities;

(g) No governmental authority shall have enacted, issued, promulgated, enforced or entered any applicable law that has the effect of making any of the transactions contemplated by the Acquisition Agreement and each other transaction agreement illegal;

(h) The representations and warranties made by the Covenantors in the Acquisition Agreement shall be true and correct and complete in all respects, as of the date of the Acquisition Agreement and shall be true and correct and complete in all material respects as of the date of the Closing;

(i) From 1 November 2013 until the Closing, no dividend or other distributions or other bonuses have been paid or declared directly or indirectly to the Covenantors or any other shareholder or employee of any member of the Digital Extremes Group, unless otherwise expressly provided in the Acquisition Agreement or with the prior written approval of the Purchasers;

(j) Investment Canada Act Approval will have been obtained;

(k) Since 1 November 2013, no member of the Digital Extremes Group has suffered a material adverse effect;

(l) At the Closing, each of (a) Ontario Ltd. 1 and Mr. James Schmalz; (b) Ontario Ltd. 2 and Mr. Michael Schmalz; and (c) Ontario Ltd. 3 and Mr. Steve Sinclair shall have entered into separate three-year non-compete, non-solicitation agreement with the Purchasers and Digital Extremes in form and substance satisfactory to the Purchasers;

(m) Each of the key employees as listed out in the Acquisition Agreement shall have entered into an employment agreement in form and substance satisfactory to the Purchasers; and

(n) To the extent any loan agreement, promissory note, pledge, charge, liability or other security agreement exists between the Digital Extremes Group and any Covenantor or any of their affiliates, it shall

have been (as applicable) terminated, discharged or released to the satisfaction of the Purchasers, except in respect of any outstanding loan resulting from any dividends permitted by the Acquisition Agreement.

(ii) Conditions precedent in favour of the Covenantors including, among others, the following:

(a) The representations and warranties made by each Purchaser in the Acquisition Agreement shall be true and correct and complete in all respects, as of the date of the Acquisition Agreement and shall be true and correct and complete in all material respects as of the date of the Closing;

(b) All approvals, consents and waivers necessary for the consummation of the transactions contemplated by the Acquisition Agreement and necessary for the execution and delivery by each Purchaser of the transaction agreements to which it is a party or required under any contract that are required to be obtained by each Purchaser shall have been obtained and shall remain effective as of the date of Closing, including (i) the passing by shareholders of any Purchaser all necessary resolutions which are necessary to give effect to the transactions contemplated under the Acquisition Agreement; (ii) approvals from any relevant stock exchange, securities commission or other securities regulator; and (iii) approvals from any governmental authority, including without limitation the Investment Canada Act Approval;

(c) No governmental authority shall have enacted, issued, promulgated, enforced or entered any applicable law that has the effect of making any of the transactions contemplated by the Acquisition Agreement and each other transaction agreement illegal;

(d) The Purchasers shall have entered into the New Shareholders' Agreement in form and satisfactory to the Vendors;

(e) Since 1 November 2013, no member of the Digital Extremes Group has suffered a material adverse effect; and

(f) Digital Extremes shall have entered into an employment agreement with the key employees in form and substance satisfactory to the key employees, including the Vendor Guarantors.

Closing shall take place on the date which all the conditions precedent above have been satisfied or waived or such other date as the Purchasers and the Vendors may mutually agree in writing. If Perfect Online fails to proceed with the Closing upon the reasonably satisfaction or waiver of the conditions precedent above, Multi Dynamic Games shall have the right (not obligation) to proceed with the Closing to purchase any

or all of the Sale Shares ("**Sumpo's Right**"); provided that it shall be a condition of the Closing in favour of the Vendors that all of the Sale Shares be purchased by both Purchasers in their respective shares as set out above or Multi Dynamic Games alone.

In the event Perfect Online fails to proceed with the Closing of the acquisition of the PW Sale Shares upon the reasonably satisfaction or waiver of the conditions precedent above, and Multi Dynamic Games exercises Sumpo's Right to proceed with the Closing to purchase all of the Sale Shares (i.e. 61% equity interest in Digital Extremes, including the PW Sale Shares) subject to the terms and conditions of the Acquisition Agreement, the additional consideration payable by Multi Dynamic Games for the acquisition of the Potential Remaining Sale Shares, being 600,000 common shares and 300 Class B Special Shares of Digital Extremes, representing 3.0% of its entire issued share capital, shall be equivalent to the original amount payable by Perfect Online for the PW Sale Shares of US$3.6 million (equivalent to approximately HK$27.9 million) (subject to adjustment) under the Acquisition Agreement, and the rights attributable to the Potential Remaining Sale Shares shall be the same as the original rights attributable to the PW Sale Shares under the Acquisition Agreement.

In the event the Potential Acquisition materializes, for the avoidance of doubt, upon completion of the purchase and sale of the Sumpo Sale Shares and the Potential Remaining Sale Shares, Digital Extremes will become an indirect non-wholly owned subsidiary of the Company and the common shares of Digital Extremes will be owned as to 61.0%, 26.1%, 2.8%. 3.9% and 6.2% by Multi Dynamic Games, Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust, respectively; and the Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 61.0% and 39.0% by Multi Dynamic Games, and Ontario Ltd. 1, respectively.

In the event that the Potential Acquisition materializes, and Multi Dynamic Games acquires all 61% of the Sale Shares, the Acquisition (as amended by the Potential Acquisition) would still be a major transaction of the Company under the Listing Rules. Accordingly, in order to avoid the unnecessary administrative burden to convene another extraordinary general meeting of the Company to seek Shareholders' approval of the Potential Acquisition, the Board proposes to seek Shareholders' approval of the Potential Acquisition at the EGM. Nevertheless, even if the Potential Acquisition has obtained Shareholders' approval at the EGM, upon materialization of the Potential Acquisition, other than convening another extraordinary general meeting, the Company would still make comply with other requirements under the Listing Rules including but not limited to the making of appropriate announcements.

The Acquisition Agreement and the transactions contemplated thereunder shall terminate upon the earlier of (a) at the election of the Purchasers upon notice to the Vendors; (b) at the election of the Vendors upon notice to the Purchasers on or after 31 January 2015 if the Closing has not occurred on or before such date; provided that if no Closing is due to the failure to obtain third party consents (including without limitation the Investment Canada Act Approval), then the Vendors shall not exercise such termination right until 31 March 2015; (c) the mutual consent in writing of the parties.

On termination, the Acquisition Agreement shall become void and have no further effect, provided that no party shall be relieved of any liability of any nature for a breach of the Acquisition Agreement or for any misrepresentation thereunder, nor shall such termination be deemed to constitute a waiver of any available remedy (including specific performance if available) for any such breach or misrepresentation.

Exclusive Distribution Agreement

As stated in the section headed "Conditions precedent" above, Closing shall be subject to and conditional upon, among others, the entering into of the Exclusive Distribution Agreement.

On 5 December 2014, Shanghai Perfect World Network Technology Co., Ltd. (the "**Publisher**"), an affilated company of Perfect World, and Digital Extremes entered into the Exclusive Distribution Agreement, pursuant to which, among other things, the Publisher shall have an exclusive right to publish Warframe on console platform, in the PRC.

The principal terms of the Exclusive Distribution Agreement are set out below:

Term

(i) The Term of the Exclusive Distribution Agreement will continue from the date of the Exclusive Distribution Agreement until a specified period following the later of (i) the initial commercial release of the Game in mainland China (excluding Hong Kong) (the "**Territory**"); or (ii) forty five days after obtaining all government approvals, unless terminated under the provisions of the Exclusive Distribution Agreement. The Exclusive Distribution Agreement shall automatically expire upon expiration of the Term, unless both parties mutually agree in writing to extend the Term of the Exclusive Distribution Agreement.

(ii) Notwithstanding (i) above, at the end of one year following the later of (i) the initial commercial release of the Game in the Territory or (ii) forty-five days after obtaining all necessary governmental approvals, Publisher shall have a right to re-negotiate technical support related terms of the Exclusive Distribution Agreement. In the event that Publisher determines to re-negotiate technical support related terms, Publisher shall give Digital Extremes a written notice and both parties shall use commercially reasonable efforts to negotiate in good faith and enter into an amended agreement (the "**Amended Agreement**") within thirty days upon Digital Extremes' receipt of such notice. If the parties fail to enter into the Amended Agreement within the aforementioned period, Publisher shall have a right to terminate the Exclusive Distribution Agreement (the "**Early Termination**"). In case Digital Extremes seeks any compensations from the Publisher due to Early Termination, Digital Extremes shall obtain the prior written approval from its controlling shareholder.

Publishing and distribution rights

(i) Subject to the terms and conditions set forth in the Exclusive Distribution Agreement, Digital Extremes grants to Publisher a limited, non-assignable (but sub-licensable, only upon the prior written approval of Digital Extremes) exclusive right and license to publish, sell, distribute, advertise and promote the Game, in object code form only, solely in, and solely for use in, the Territory during the Term of the Exclusive Distribution Agreement, subject to the terms and conditions of the Exclusive Distribution Agreement, provided however, that Publisher may assign and/or transfer the Exclusive Distribution Agreement and/or any of the rights to any or all of the Publishers' affiliates set forth in the Exclusive Distribution Agreement;

(ii) the Publisher will not have any right to distribute any Game outside of, or for use outside of, the Territory and shall not distribute to any customers for distribution outside of the Territory;

(iii) the Publisher acknowledges that the intellectual property rights in the Game are the sole property of Digital Extremes, and the Publisher agrees that it shall not at any time during the Term of the Exclusive Distribution Agreement or thereafter dispute or contest or impair directly or indirectly Digital Extremes' interests. It is agreed that all use of such rights by Publisher is on behalf of and accrues to the benefit of Digital Extremes.

Royalties

The Publisher will pay Digital Extremes a share of any and all net revenue arising in connection with the sale, marketing, distribution or other distribution of the Games ("**Royalties**"). With respect to sales to or by affiliates of Publisher, Publisher shall pay to Digital Extremes Royalties on the greater of the net revenue received by such Affiliates or Publisher in connection with such sales, marketing, distribution or other exploitation of the Game.

(2) SIDE AGREEMENT

On 5 December 2014, Multi Dynamic Games and Perfect Online entered into the Side Agreement, pursuant to which, among others, Multi Dynamic Games and Perfect Online executed certain undertakings in relation to Perfect Online's interest in the Exclusive Distribution Agreement and the shares of Digital Extremes.

The principal terms of the Side Agreement are set out below:

(1) If neither Perfect Online nor any of its affiliates have entered into the Exclusive Distribution Agreement, Perfect Online is not obliged to proceed with the Closing as the conditions for the Closing as set forth in the Acquisition Agreement have not been satisfied (unless otherwise waived in writing by Perfect Online).

Notwithstanding the foregoing, at Multi Dynamic Games' sole discretion, Multi Dynamic Games is entitled (but not obliged) to proceed with the Closing pursuant to the terms and conditions of the Acquisition Agreement.

(2) If Perfect Online and Multi Dynamic Games have paid their respective portion of Cash Consideration (i.e. Perfect Online has paid US$1.97 million and Multi Dynamic Games has paid US$38.03 million) at the Closing, and Perfect Online has paid but Multi Dynamic Games fails to pay their respective portion of the Balance Consideration when due on the Settlement Date, and therefore the Sale Shares have been reverted back to the Vendors and the entire Cash Consideration have been retained by the Vendors as liquidated damages as provided in the Acquisition Agreement, then Multi Dynamic Games shall pay Perfect Online an amount equal to US$1.97 million.

(3) If Perfect Online and Multi Dynamic Games have paid their respective portion of Cash Consideration (i.e. Perfect Online has paid US$1.97 million and Multi Dynamic Games has paid US$38.03 million) at the Closing, and Multi Dynamic Games has paid but Perfect Online fails to pay their respective portion of the Balance Consideration when due on the Settlement Date, Multi Dynamic Games shall remedy such failure by paying such unpaid portion of the Balance Consideration to Digital Extremes (i.e. being the maximum of US$1.63 million (subject to adjustment)), and shall have the right to purchase (in which case, Perfect Online shall be obliged to sell) the Potential Remaining Sale Shares on such date as determined by Multi Dynamic Games at a purchase price equal to US$1.97 million (equivalent to approximately HK$15.27 million). As part of such purchase, Perfect Online shall also assign or transfer all rights attributable to such Potential Remaining Sale Shares to Multi Dynamic Games.

(4) (i) In the event Digital Extremes has developed any new game subsequent to the date of the Side Agreement, except for those games of Digital Extremes which have already been licensed to or authorized other third parties for publishing as of the date of the Side Agreement (the "**New Game**") and elected to have a third party to publish the New Game on any platform in any jurisdiction, Digital Extremes shall give Perfect Online a written notice. Perfect Online shall have a period of 30 days from the receipt of such notice (the "**Notification Period**") to notify Digital Extremes if it intends to publish such New Game. If Perfect Online wishes to publish the New Game, within thirty 30 Business Days after notifying Digital Extremes about such intention (the "**Exclusivity Period**"), it shall have an exclusive right to negotiate an agreement with Digital Extremes for publishing the New Game. In the event Perfect Online notifies Digital Extremes that it does not wish to publish the New Game or Perfect Online fails to respond to Digital Extremes within the Notification Period, Digital Extremes shall have no further obligation to Perfect Online with respect to such New Product, and Digital Extremes may grant a third party the publish rights for such New Game. In case that Digital Extremes elects to publish any New Game itself or by its

affiliates, Digital Extremes shall inform Perfect Online of such election and Perfect Online or its affiliates do not have any publish right for such New Game.

(ii) If Digital Extremes breaches the undertakings as set forth in (4)(i) above, Perfect Online shall have the right to sell (in which case, Multi Dynamic Games shall be obliged to purchase) all the Potential Remaining Sale Shares at a purchase price equal to the original purchase price actually paid by Perfect Online for such Potential Remaining Sale Shares under the Acquisition Agreement. As part of such purchase, Perfect Online shall also assign or transfer all rights attributable to such Potential Remaining Sale Shares to Multi Dynamic Games.

(5) (i) If Perfect Online requests to amend the Exclusive Distribution Agreement after the first anniversary of the effective date of the Exclusive Distribution Agreement, but Digital Extremes cannot reach agreement with Perfect Online on the terms of such amendments, and Perfect Online elects to terminate the Exclusive Distribution Agreement (the "**Early Termination**"), Multi Dynamic Games shall vote all its shares of Digital Extremes in opposition to any proposals seeking compensations from Perfect Online for such Early Termination.

(ii) If Multi Dynamic Games breaches the undertakings as set forth in 5(i) above, Perfect Online shall have the right to sell (in which case, Multi Dynamic Games shall be obliged to purchase) all Potential Remaining Sale Shares at a purchase price equal to the original purchase price actually paid by Perfect Online for such Potential Remaining Sale Shares under the Acquisition Agreement. As part of such purchase, Perfect Online shall also assign or transfer all rights attributable to such Potential Remaining Sale Shares to Multi Dynamic Games.

(3) NEW SHAREHOLDERS' AGREEMENT

Closing shall be subject to and conditional upon, among others, the entering into of the New Shareholders' Agreement by the Purchasers and Vendors, to govern the relationship among shareholders of Digital Extremes and the management of Digital Extremes.

The Company will comply with the applicable Listing Rules in the event any potential transactions contemplated under the New Shareholders' Agreement materialize.

The principal terms of the New Shareholders' Agreement are set out below:

Size of board and appointment of directors

Unless otherwise determined by Special Shareholder Consent, the Digital Extremes Board shall consist of five directors. Multi Dynamic Games shall be entitled to nominate three directors and Ontario Ltd. 1 shall be entitled to nominate two directors.

Officers

Unless otherwise agreed by Special Shareholder Consent, the officers of the Digital Extremes Group shall be as follows:

(i) Chief Executive Officer – Mr. James Schmalz

(ii) President – Mr. Michael Schmalz

(iii) Chief Financial Officer – Mr. Murphy Pettypiece

(iv) Creative Director – Mr. Steve Sinclair

In the event that any such person is unable or unwilling to act as an officer, then his replacement shall be appointed by Special Shareholder Consent.

Authority of board

The Digital Extremes Board shall be responsible for overseeing the strategic direction of the Digital Extremes Group. The Digital Extremes Board shall approve, by way of Special Director Consent, the annual budget and business plan of the Digital Extremes Group.

Authority of Officers

The officers of the Digital Extremes Group shall be responsible for the day to day operations and administration of the members of the Digital Extremes Group, subject to the annual budget and business plan of the Digital Extremes Group approved by Special Director Consent.

Bonuses

Upon Digital Extremes' receipt of any tax credits in respect of its 2013 and 2014 fiscal years, subject to applicable laws, Digital Extremes shall declare and pay bonuses to some or all of its employees in an aggregate amount equal to such tax credits so received but in no event shall exceed C$3,700,000 in aggregate for each of 2015 and 2016 fiscal years.

In addition, in respect of Digital Extremes' fiscal years following 2016, subject to applicable laws, Digital Extremes shall declare and pay bonuses to some or all of its employees in the aggregate amount of C$3,700,000 unless otherwise agreed by Special Shareholder Consent.

For greater certainty, no other bonus or distributions shall be declared or paid during or in respect of any fiscal year of Digital Extremes unless otherwise agreed by Special Shareholder Consent.

No dividends or other distributions

Except as (i) otherwise contemplated under the 'Bonuses' section above; (ii) authorized under the Acquisition Agreement; or (iii) as otherwise agreed by Special Shareholder Consent, Digital Extremes shall not declare or pay any dividends or other distributions to any shareholder or employee of Digital Extremes or other person.

No Issuance of Securities

Unless otherwise agreed by Special Shareholder Consent, none of the members of the Digital Extremes Group shall issue any shares or any security convertible into shares of any member of the Digital Extremes Group.

Restrictions on transfer

No shareholder of Digital Extremes shall transfer any shares or any right, title or interest in Digital Extremes except as specifically provided in the New Shareholders' Agreement or as otherwise approved by Special Shareholder Consent.

Right of first refusal provisions

Subject to the "Tag-along provisions' and "Drag-along provisions" in the sections headed below, in the event that a shareholder of Digital Extremes (the "**Withdrawing Shareholder**") receives a written offer from a third party (in this section, the "**Proposed Purchaser**") at any time after 1 January 2017 to purchase all of the Withdrawing Shareholder's shares of Digital Extremes, which offer the Withdrawing Shareholder intends to accept (in this section, the "**Purchase Offer**"), the Withdrawing Shareholder shall deliver a copy of the Purchase Offer to Digital Extremes and the other shareholders of Digital Extremes (in this section, the "**Responding Shareholders**"). The Responding Shareholders shall have the right, but not obligation to purchase all of the Withdrawing Shareholder's shares for the purchase price specified in the Purchase Offer.

In the event that more than one Responding Shareholders wish to purchase the Withdrawing Shareholder's shares of Digital Extremes, such shares shall be allocated amongst the Responding Shareholders wishing to purchase such shares on a pro rata basis relative to their respective holding of the common shares of Digital Extremes at the time that the Purchase Offer was delivered to the Responding Shareholders, or in such other proportion as the Responding Shareholders may agree in writing.

In the event that the Responding Shareholders do not agree to purchase all of the Withdrawing Shareholder's shares or fail to deliver notice of such intention within the prescribed time period, the Withdrawing Shareholder shall be entitled to sell all of its shares of Digital Extremes to the Proposed Purchaser in accordance with the terms of the Purchase Offer.

Tag-along provisions

Subject to the "Drag-along provisions" in the section headed below, in the event that a third party (in this section, the "**Proposed Purchaser**") makes a written offer (in this section, the "**Purchase Offer**"), to acquire more than 50% of the then issued and outstanding common shares of Digital Extremes at any time after 1 January 2017, that shareholders of Digital Extremes holding such shares intend to accept (the "**Accepting Shareholders**"), then the Accepting Shareholders shall have the right to accept such Purchase Offer upon compliance with the following terms and conditions:

(a) the Accepting Shareholders shall have caused the Proposed Purchaser to execute and deliver to the other shareholders (in this section, the "**Responding Shareholders**") a written offer (a "**Tag Along Offer**") to purchase all of the shares of Digital Extremes held by the Responding Shareholders, which Tag Along Offer shall constitute a binding offer of the Proposed Purchaser;

(b) the terms and conditions of the Tag Along Offer shall be identical to the terms and conditions of the Purchase Offer.

Within 30 days of delivery of a Tag Along Offer to a Responding Shareholder, the Responding Shareholder may accept or reject the Tag Along Offer. If the Responding Shareholder neither accepts nor rejects the Tag Along Offer within the 30 days, the Responding Shareholder shall be deemed to have rejected the Tag Along Offer and the Accepting Shareholders shall be entitled to proceed with the sale of their shares of Digital Extremes to the Proposed Purchaser as contemplated in the Purchase Offer.

Drag-along provisions

Notwithstanding the "Right of first refusal" and "Tag-along provisions" in the sections headed above, in the event that a third party (in this section, the "**Proposed Purchaser**") makes a written offer (a "**Drag Along Offer**") to purchase all of the issued and outstanding common shares of Digital Extremes after 1 January 2017 to shareholders holding more than 50% of the issued and outstanding common shares of Digital Extremes (in this section, the "**Accepting Shareholders**") that the Accepting Shareholders intend to accept, the Accepting Shareholders shall deliver a copy of the Drag Along Offer to the other shareholders of Digital Extremes, and all the shareholders of Digital Extremes shall be require to sell all of their shares of Digital Extremes in accordance with the terms and conditions as contemplated by the Drag Along Offer.

Sumpo call option

At any time on or prior to 31 December 2015, Multi Dynamic Games may deliver a written offer to Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and the Digital Extremes Employee Share Trust (together, the "**Original Shareholders**") to purchase all of the Original Shareholders' shares in Digital Extremes (the "**Call Notice**") in

accordance with the provisions of the "Call Option Terms" as set out below. Provided that Multi Dynamic Games complies with its obligations under this section, the Original Shareholders shall be required to sell all of their shares in Digital Extremes.

Upon notice to the Original Shareholders, Multi Dynamic Games may assign its rights and obligations under this section to an affiliate or any other person, including Perfect Online, provided that Multi Dynamic Games shall remain liable, on a joint and several basis, for the fulfillment of all obligations of the purchaser under the Call Notice, including the due and timely satisfaction of the 39% Consideration.

Call Option Terms

The principal provisions of the Call Option Terms are set out below:

Purchase and sale of shares

Subject to the terms and conditions of the Call Option Terms, in the event that Multi Dynamic Games exercises the "Sumpo call option" right, then each Original Shareholder shall sell, and Multi Dynamic Games shall purchase, on the Potential Second Closing Date all of the remaining 39.0% of the entire issued share capital of Digital Extremes (the "**39% Sale Shares**").

Consideration

The aggregate consideration payable by Multi Dynamic Games for all of the 39% Sale Shares shall be US$46.8 million (equivalent to approximately HK$362.7 million) (subject to adjustment) (the "**39% Consideration**"), which shall become due and payable on the fifth Business Day after the final determination of the 2015 Closing Statement and the 39% Consideration or at such other time and date as may be mutually agreed upon by Multi Dynamic Games and the Original Shareholders (the "**Potential Second Closing Date**").

Adjustments to the 39% Consideration

(i) Net Profit (2015) less than Net Profit Target (2015)

If the Net profit (2015) of Digital Extremes is less than the Net Profit Target (2015) of US$30 million, then the 39% Consideration shall be reduced by an amount (the "**2015 Deducted Amount**"), which shall be calculated by using the following formula:

D1 = (X1-X2)/X1 * US$46,800,000

Where:

D1 = 2015 Deducted Amount

X1 = Net Profit Target (2015) (being US$30,000,000)

X2 = Net Profit (2015)

provided that the 2015 Deducted Amount shall not exceed US$46,800,000. For the avoidance of doubt, if the 2015 Deducted Amount is equal to or greater than US$46,800,000, Multi Dynamic Games shall no longer be liable to pay any amount on the Potential Second Closing Date and the Original Shareholders shall still sell, on the Potential Second Closing Date, all of the 39% Sale Shares.

(ii) Net Profit (2015) exceeds Net Profit Target (2015)

If the Net profit (2015) of Digital Extremes is greater than the Net Profit Target (2015) of US$30 million, then the 39% Consideration shall be increased by an amount (the "**2015 Excess Amount**"), which shall be calculated by using the following formula:

E1 = 8 * (X2-X1) * 39%

Where:

E1 = 2015 Excess Amount

X1 = Net Profit Target (2015) (being US$30,000,000)

X2 = Net Profit (2015)

Vendor's Distributable Profits

If Digital Extremes has any Distributable Profits that are legally available for distribution, but have not been declared or distributed or paid, to the holders of any class of shares of Digital Extremes, then Digital Extremes shall, and the shareholders of Digital Extremes shall procure Digital Extremes to, declare dividends in an amount equal to such Distributable Profits on or prior to the Potential Second Closing Date to all shareholders of Digital Extrames (on a pro rata basis relative to their respective holdings of common shares of Digital Extremes) in accordance with applicable laws. The amount to be received by the Original Shareholders (the "**Vendors' Distributable Profits**") shall be calculated by using the following formula:

VDP = DP * 39%

Where:

VDP = Vendors' Distributable Profits

DP = Distributable Profits

Such dividend shall be payable at the same time as the 39% Consideration becomes due and payable. For the avoidance of doubt:

(a) if the Distributable Profits of Digital Extremes have already been declared or distributed or paid, then no Vendors' Distributable Profits shall be declared or distributed or paid; and

(b) subject to (a) above, if Digital Extremes has Distributable Profits but fails to declare and pay the Vendors' Distributable Profits, in whole or in part, to the Original Shareholders, the 39% Consideration shall be increased by an

amount equal to such Vendors' Distributable Profits that have not been declared and paid to the Original Shareholders. After the 39% Consideration has been so increased in accordance with this section, the Original Shareholders shall no longer be entitled to such Vendors' Distributable Profits (which, for the avoidance of doubt, shall become Multi Dynamic Games' entitlement).

Calculation of Net Profit (2015) and Vendors' Distributable Profits

Digital Extremes shall procure that on or before 28 February 2016, Multi Dynamic Games shall have received audited annual consolidated financial statements of Digital Extremes as at 31 December 2015, prepared in accordance with IFRS. On or before 15 March 2016, Multi Dynamic Games shall deliver to the Original Shareholders a statement (the "**2015 Closing Statement**") that sets out the calculation of (i) the Net Profit (2015); and (ii) the Vendors' Distributable Profits.

Original Shareholder's right of first offer

At any time after 1 January 2016, provided that Multi Dynamic Games has not delivered the Call Notice, the Original Shareholders may deliver written notice to Multi Dynamic Games of their intention to sell all of the shares of Digital Extremes (the "**Original Shareholders Drag Along Offer**"). The Original Shareholders Drag Along Offer shall specify the minimum purchase price payable in respect of the shares of Digital Extremes of any class, provided that the purchase price of any Class B Special shares of Digital Extremes shall not exceed its redemption price.

Within 30 days of its receipt of the Original Shareholders Drag Along Offer, Multi Dynamic Games shall deliver written notice of its intention to purchase all of the Original Shareholders' shares in Digital Extremes for the minimum price per share of Digital Extremes for each class specified in the Original Shareholders Drag Along Offer.

In the event Multi Dynamic Games does not deliver written notice of its intention to purchase all of the Original Shareholders' (being Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and the Digital Extremes Employee Share Trust) shares of Digital Extremes within such 30 day period, within 180 days of the expiry of such 30 day period (the "**ROFR Period**"), the Original Shareholders shall have the right to enter into an agreement with a third party (the "**ROFO Third Party**") to sell all of the issued and outstanding shares of Digital Extremes, provided that (i) the minimum purchase price for each share of Digital Extremes of any class shall not be less than that specified in the Original Shareholders Drag Along Offer; (ii) the consideration to be paid for each share of Digital Extremes within a class shall be identical; and (iii) such agreement shall include any other material terms and conditions not more favourable than those specified in the Original Shareholders Drag Along Offer. In the event that the Original Shareholders enter into such an agreement with such ROFO Third Party within the ROFR Period, all of the shareholders of Digital Extremes

(including Multi Dynamic Games, Perfect Online and the Original Shareholders, assuming there has been no change in the shareholding structure of Digital Extremes since Closing) shall be required to sell all of their shares of Digital Extremes.

In the event that the Original Shareholders fail to enter into an agreement as contemplated in this section within the ROFR Period, then the rights of the parties under this section shall revive after 180 days following the expiry of the ROFR Period (the "**Suspension Period**") and the Original Shareholders shall be required to issue another Original Shareholders Drag Along Offer at any time after the expiry of the Suspension Period if they wish to sell all of their shares in Digital Extremes or all of the issued and outstanding shares of Digital Extremes (for the avoidance of doubt, the Original Shareholders shall not be entitled to exercise its rights under this section or to issue any Original Shareholders Drag Along Offer during the Suspension Period).

Priority

For greater certainty:

(i) in the event that the "Original Shareholder's right of first offer" provisions are invoked, then no party may invoke the "Right of first refusal", "Tag-along" and "Drag-along" provisions as stated in the sections headed above until the completion of the closing or termination of the transaction contemplated under the "Original Shareholder's right of first offer", unless no agreement has been entered into during the ROFR Period under the "Original Shareholder's right of first offer" or otherwise provided in "Original Shareholder's right of first refusal" provisions or agreed by the shareholders of Digital Extremes; and

(ii) in the event the "Tag-along" or "Drag-along" provisions as stated in the sections headed above are invoked, then no party may invoke the "Right of first refusal" or "Original Shareholder's right of first offer" provisions until the completion of the closing or the termination of the transaction contemplated under the "Tag-along" or "Drag-along" provisions, as applicable.

Exempt Transfer

At any time after the date of the New Shareholders' Agreement, Perfect Online shall be entitled to transfer some or all of their shares in Digital Extremes to Multi Dynamic Games or Multi Dynamic Games' affiliates upon written notice to Digital Extremes and other shareholders of Digital Extremes. Digital Extremes, other shareholders of Digital Extremes and other parties to the New Shareholders' Agreement agree and consent to, and shall vote their shares in Digital Extremes so as to approve, such transfer, and the Digital Extremes Board shall approve such transfer as required by the constitutional documents of Digital Extremes. Notwithstanding any provision to the contrary, transfer restrictions set forth above (other than this section) shall not apply to such transfer as contemplated under this section.

Compliance

The closing of any purchase and sale of shares of Digital Extremes by Multi Dynamic Games contemplated in the New Shareholders' Agreement is subject to the fulfillment of (a) all approvals, consents and waivers necessary for the consummation of the transactions contemplated by the New Shareholders' Agreement as required by any governmental authority shall have been obtained and shall remain effective as of the date of such closing, including the passing by shareholders of all necessary resolutions at the extraordinary general meeting necessary to approve the transactions contemplated under the New Shareholders' Agreement (which is to be held on a future date in the event any purchase and sale of shares of Digital Extremes by Multi Dynamic Games contemplated in the New Shareholders' Agreement materialize); and (b) the consummation of the transactions contemplated by the New Shareholders' Agreement shall be in compliance with the requirements of applicable laws. For the avoidance of doubt, if the closing has not occurred solely due to the non-fulfillment of the conditions set out above, Multi Dynamic Games shall not be deemed to be in breach of its obligations under the New Shareholders' Agreement.

Termination

The New Shareholders' Agreement shall cease and terminate upon the occurrence of any of the following events, namely:

(a) Digital Extremes becoming a reporting issuer in any jurisdiction;

(b) there being only one shareholder of Digital Extremes;

(c) the Original Shareholders no longer being shareholders of Digital Extremes;

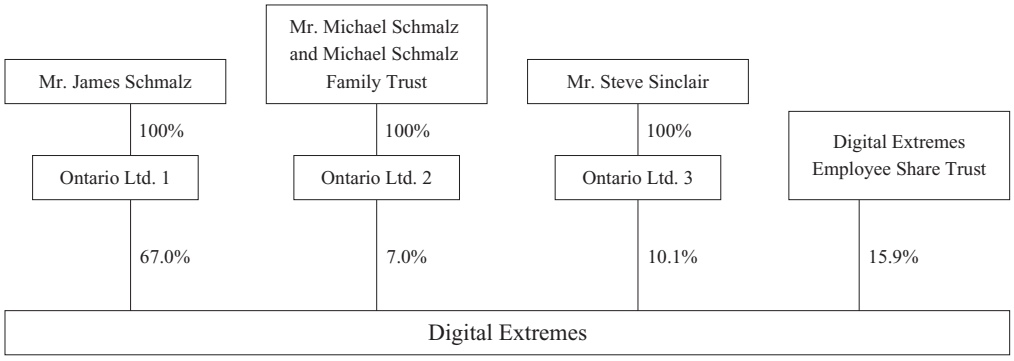
(d) the agreement of all of the then shareholders of Digital Extremes to terminate the New Shareholders' Agreement; or

(e) the bankruptcy, insolvency, dissolution or winding up of Digital Extremes.

SHAREHOLDING STRUCTURE OF DIGITAL EXTREMES

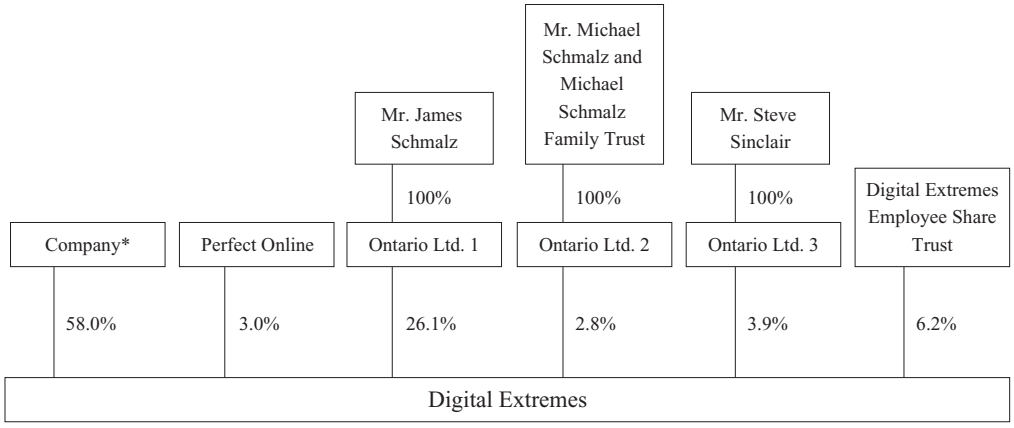
The following are the shareholding structures of Digital Extremes as at the Latest Practicable Date and immediately after the Closing:

(i) As at the Latest Practicable Date



Note: the above shareholding percentages reflect only the voting share capital of Digital Extremes. The Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, are owned as to 100% by Ontario Ltd. 1.

(ii) Immediately after Closing



* *Held through Multi Dynamic Games*

Note: the above shareholding percentages reflect only the voting share capital of Digital Extremes. The Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 58.0%, 3.0% and 39.0% by Multi Dynamic Games, Perfect Online and Ontario Ltd. 1, respectively, immediately after Closing.

INFORMATION ON DIGITAL EXTREMES

Digital Extremes is a company incorporated under the laws of Ontario, Canada, and is a next-generation studio developing ground-breaking Free-to-Play, AAA-quality multiplatform video games. Digital Extremes is headquartered and operates in Ontario, Canada and as at the Latest Practicable Date, has two wholly-owned subsidiaries, namely (i) Digital Extremes US, Inc., which is principally engaged in marketing support activities; and (ii) Brainbox Games Inc., which is currently a dormant company and not engaged in any business activities. As at the Latest Practicable Date, each of Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust holds approximately 67.0%, 7.0%, 10.1% and 15.9% of the voting share capital of Digital Extremes, respectively; and the Class B Special Shares of Digital Extremes, which carry no voting rights in Digital Extremes, are wholly-owned by Ontario Ltd. 1. The holders of Class B Special shares have the following rights, privileges, restrictions and conditions: (i) the holders are not entitled to vote at any meeting of shareholders; (ii) the holders are entitled to receive, as and when so declared by the board of directors, non-cumulative annual dividends; (iii) the Class B Special shares are subject to redemption by Digital Extremes in the manners as provided under the articles of incorporation of Digital Extremes; (iv) the holders are entitled to require Digital Extremes to redeem the Class B Special shares held in the manners as provided under the articles of incorporation of Digital Extremes; (v) in the event of dissolution or any other distribution of assets of Digital Extremes, the holders are entitled to receive the redemption price as determined in accordance with the articles of incorporation of Digital Extremes before any distribution to the holders of any class of shares of Digital Extremes, but not entitled to participate further in the distribution of assets of Digital Extremes. Pursuant to the Acquisition Agreement, the Vendors and Digital Extremes agreed that the Vendors will not at any time require Digital Extremes to, and Digital Extremes will not, redeem any share of Digital Extremes (including any Class B Special shares) or pay any redemption price on any share of Digital Extremes.

The principal activities of Ontario Ltd. 1, Ontario Ltd. 2 and Ontario Ltd. 3 are investment holding in Digital Extremes. Except for minimal cash balances, Ontario Ltd. 1, Ontario Ltd. 2 and Ontario Ltd. 3 have no other assets. Upon completion of the Acquisition, Digital Extremes will become an indirect 58.0% owned subsidiary of the Company, and the consolidated profit or loss and assets of Digital Extremes will be accounted for in the consolidated financial statements of the Group.

Prior to 2013, Digital Extreme's revenue was largely generated through developing retail games, primarily via work-for-hire projects with large independent third party publishers, such as Epic Games, Atari, 2K Games, and Microsoft. Digital Extremes' portfolio of "work-for-hire" projects includes multiple first-person games such as 'Darkness 2' and multiplayer for 'Bioshock 2'. Digital Extremes also developed Dark Sector, an original Digital Extremes owned product released on Xbox 360 and Playstation 3 in 2008.

Such work-for-hire projects, in addition to providing a stable source of income to Digital Extremes' business at the early stage, also provided the necessary training and design know-how to the creative team in Digital Extremes to develop its own titles. In

March 2013, Digital Extremes successfully launched the beta version of its own multiplayer Free-to-Play online action game entitled '*Warframe*' ("**Warframe**"), which gained immediate recognition and success in the market. Currently, over 90% of Digital Extreme's revenue is generated from Warframe.

Warframe, which follows the Free-to-Play model, is offered free of charge whilst players have the opportunity to purchase virtual goods to enhance their game-playing experience using virtual currencies. Virtual goods are non-physical items represented within the game by images, animations or three-dimensional objects, such as weapons and characteristics that provide a player with additional or enhanced abilities within a game. Digital Extremes' revenue from Warframe is primarily generated from the sale of virtual currencies and virtual goods to its players. Digital Extremes currently allows players to access Warframe both via direct access to its website and through platforms owned by independent third party licensed distributors. Such licensed distributors, which in exchange for exposing and promoting Warframe through their own player base, receive a fee from Digital Extremes based on a certain percentage of the revenue generated from the distributor's player base. In addition to exposing and promoting the game, such licensed distributors may also be responsible for providing functions such as server maintenance, membership management, network infrastructure and other customer services. As at the Latest Practicable Date, Warframe is distributed in 115 countries, and its players are located worldwide.

In relation to the sustainability of Digital Extremes' business, despite that Warframe has only been launched recently in March 2013, it has already been experiencing substantial growth in its early stages in the PC and Sony Playstation 4 console market. It is expected that the popularity and player base of Warframe will continue to grow following its distribution in a wide range of countries, including countries with high potential for explosive growth in player numbers such as China. In addition, Warframe was recently launched on the Xbox One platform in September 2014, which is expected to further drive its growth.

Furthermore, the contents and features of Warframe are continuously being developed and updated to enhance existing players' in-game experience and to attract new players. New virtual good items are made available on a regular basis to stimulate players' interest in the game. The continuous development and update of Warframe is therefore a significant factor contributing to Warframe's sustainability and growth, as the number of players oftentimes experience boosts immediately after substantial game updates. Since the launch of Warframe, Digital Extremes has been making major update releases at approximately six week intervals, which include large game changes such as new levels, art sets, game modes and monetization options. Minor weekly updates to Warframe are also released that include weekend events, new items for sale, bug fixes and other improvements. It is expected that Digital Extremes will continue to introduce substantial game updates to Warframe not only to maintain its existing players base and revenue stream, but also to expand its player base and revenue stream by attracting new players through such game updates and by leveraging on its distributorship model.

In addition to Warframe, Digital Extremes is currently developing another self-owned Free-to-Play game, which is expected to be launched in the fourth quarter of 2015 in the US, and the first quarter of 2016 in China, in both the PC and console market. Similar to Warframe, Digital Extremes' next self-owned Free-to-Play game will utilize the "Evolution Engine" and leverage on the infrastructure developed for Warframe, providing it the potential to grow and attain a long term global fan base.

FINANCIAL INFORMATION OF DIGITAL EXTREMES

Set out below is the key financial information of Digital Extremes based on its audited consolidated financial statements for the ten months ended 31 August 2014 and for the three years ended 31 October 2013 as set out in Appendix II of this circular.

	For the year ended 31 October 2011 *C$'000*	**For the year ended 31 October 2012** *C$'000*	**For the year ended 31 October 2013** *C$'000*	**For the ten months ended 31 August 2014** *C$'000*
Revenue	15,113 (approximately HK$105.6 million)	13,450 (approximately HK$94.0 million)	27,330 (approximately HK$191.0 million)	52,635 (approximately HK$367.9 million)
Profit/(loss) before taxation	2,502 (approximately HK$17.5 million)	(1,035) (approximately HK$(7.2 million))	6,153 (approximately HK$43.0 million)	19,883 (approximately HK$139.0 million)
Profit/(loss) after taxation	2,321 (approximately HK$16.2 million)	(524) (approximately HK$(3.7 million))	4,497 (approximately HK$31.4 million)	14,596 (approximately HK$102.0 million)
	As at 31 October 2011 *C$'000*	**As at 31 October 2012** *C$'000*	**As at 31 October 2013** *C$'000*	**As at 31 August 2014** *C$'000*
Net assets	10,148 (approximately HK$70.9 million)	9,624 (approximately HK$67.3 million)	4,597 (approximately HK$32.1 million)	19,192 (approximately HK$134.2 million)

Shareholders should read the above information in conjunction with the accountants' report as set out in Appendix II to this circular containing further financial information of Digital Extremes.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Closing, Digital Extremes will become an indirect 58.0% owned subsidiary of the Company, and the consolidated profit or loss and assets of Digital Extremes will be accounted for in the consolidated financial statements of the Group. The unaudited pro forma financial information of the Enlarged Group is set out in Appendix III to this circular.

Based on the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular, the unaudited pro forma consolidated assets of the Group as at 30 June 2014 would increase from approximately HK$1,008.7 million to approximately HK$1,980.7 million and the unaudited pro forma consolidated total liabilities of the Group as at 30 June 2014 would increase from approximately HK$366.0 million to approximately HK$1,134.0 million as a result of the Acquisition.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the trading and manufacturing of chicken meat products, animal feeds and chicken breeds under the "Sumpo" brand (the "**Chicken Business**"). During the year ended 31 December 2013 and the six months ended 30 June 2014, the Group recorded net loss of approximately RMB11.5 million and approximately RMB10.3 million. As stated in the Company's interim results announcement dated 26 August 2014, the Company attributed such slow recovery in the Chicken Business' profitability to the lingering effects of the H7N9 incident, which occurred in the first half of 2013 and continued to negatively affect the price of and overall demand for chicken meat products in the PRC up until the first half of year 2014. As the Chicken Business can be volatile and cyclical in nature due to the adverse effects which external factors outside of the Group's control may bring to the Chicken Business (e.g. unexpected bird flu epidemics or other poultry virus outbreaks), the Group has been looking for investment and business opportunities unrelated to the Chicken Business with a view to diversify and reduce its overall risk profile, as well as to enhance growth and stability of the Group's future profitability.

The Group has since identified the gaming industry, and in particular the video games sector specializing in Free-to-Play online games, as a fast-growing industry which can broaden and enhance the income base of the Group. As stated in the section headed "Information on Digital Extremes" above, in addition to Digital Extremes' success in collaborating with large independent third party publishers for popular games via work-for-hire projects, Digital Extremes launched Warframe in March 2013, which gained immediate recognition and success in the market and has become the key revenue driver for Digital Extremes from 2013 onwards. Eyeing the potential of this widely popular title, and the expected launch of Digital Extremes next self-owned Free-to-Play game, the Directors are confident that the Acquisition will enhance the growth of the Group's future profitability and provide additional value to the Shareholders. Furthermore, with the experience and knowledge of Perfect World in the gaming industry, the Directors believe that the Group will be able to gain valuable industry experience in the gaming industry from such co-investment with Perfect Online. Perfect World is a leading online game developer and operator based in the

PRC. In particular, upon Closing, Digital Extremes and Perfect Online shall have entered into the Exclusive Distribution Agreement, pursuant to which, among other things, Perfect Online or its affiliates shall have an exclusive right to publish Warframe on console platform, in the PRC.

The Directors are of the view that the terms of the Acquisition Agreement are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON PERFECT ONLINE

Perfect Online is incorporated in Hong Kong and is a wholly-owned subsidiary of Perfect World, a company listed on the NASDAQ Global Select Market. Perfect World is a leading online game developer and operator based in China, and primarily develops online games based on proprietary game engines and game development platforms.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Perfect Online and Perfect World are third parties independent of the Company and its connected persons.

(4) PROPOSED CHANGE OF COMPANY NAME

As disclosed in the announcement of the Company dated 25 November 2014, the Board proposes to change the English Name of the Company from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited" and the Chinese name of the Company from "森寶食品控股有限公司" to "樂遊科技控股有限公司" as its dual foreign name.

Reasons for the Proposed Change of Company Name

The Board considers the Proposed Change of Company Name will better reflect the diversification of the Group's business and facilitate its further development and expansion. The Board believes that the new company name can provide the Company with a more appropriate identification and image which will benefit the Company's future business development and is in the interest of the Company and the Shareholders as a whole.

Conditions for the Proposed Change of Company Name

The Proposed Change of Company Name is conditional upon (a) the passing of a special resolution by the Shareholders at the EGM to approve the Proposed Change of Company Name; and (b) the Registrar of Companies in the Cayman Islands granting approval for the use of the proposed new English name and the adoption of the proposed new Chinese name as the dual foreign name of the Company. The relevant filing with the Registrar of Companies in the Cayman Islands will be made after the passing of the special resolution at the EGM.

Subject to satisfaction of the conditions set out above, the new English name of the Company (together with the new dual foreign name) will be entered into the Register of Companies maintained by the Registrar of Companies in the Cayman Islands in place of the existing English name (together with the existing dual foreign name) of the Company. The Proposed Change of Company Name will take effect from the date of issue of the certificate of incorporation on change of name by the Registrar of Companies in the Cayman Islands. Thereafter, the Company will carry out the necessary filing procedures in Hong Kong as required under the applicable laws, rules and regulations of Hong Kong including those with the Companies Registry in Hong Kong.

Effects of the Proposed Change of Company Name

The Proposed Change of Company Name will not affect any rights of the Shareholders. All existing share certificates in issue bearing the Company's existing name shall continue to be evidence of the title and valid for trading, settlement, registration and delivery for the same number of shares in the new name of the Company. There will not be any arrangements for free exchange of existing share certificates for new share certificates under the new name of the Company. Once the Proposed Change of Company Name becomes effective, the shares will be traded under the new stock short name and any issue of share certificates will be under the new name of the Company.

LISTING RULE IMPLICATIONS

As the applicable percentage ratios (as calculated in accordance with Rule 14.07 of the Listing Rules) for the Acquisition and the Potential Acquisition, on an aggregate basis, remain to be more than 25% but less than 100%, the Acquisition and the Potential Acquisition, together constitutes a major acquisition of the Company and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

Upon Closing, Digital Extremes will become an indirect non-wholly owned subsidiary of the Company and the common shares of Digital Extremes will be owned as to 58.0%, 3.0%, 26.1%, 2.8%. 3.9% and 6.2% by Multi Dynamic Games, Perfect Online, Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust, respectively; and the Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 58.0%, 3.0% and 39.0% by Multi Dynamic Games, Perfect Online and Ontario Ltd. 1, respectively.

In the event the Potential Acquisition materializes, for the avoidance of doubt, upon completion of the purchase and sale of the Sumpo Sale Shares and the Potential Remaining Sale Shares, Digital Extremes will become an indirect non-wholly owned subsidiary of the Company and the common shares of Digital Extremes will be owned as to 61.0%, 26.1%, 2.8%. 3.9% and 6.2% by Multi Dynamic Games, Ontario Ltd. 1, Ontario Ltd. 2, Ontario Ltd. 3 and Digital Extremes Employee Share Trust, respectively; and the Class B Special shares of Digital Extremes, which carry no voting rights in Digital Extremes, will be owned as to 61.0% and 39.0% by Multi Dynamic Games, and Ontario Ltd. 1, respectively.

The Company will comply with the applicable Listing Rules in the event any potential transactions contemplated under the New Shareholders' Agreement materialize.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition, the Potential Acquisition, the Acquisition Agreement, the New Shareholders' Agreement, the Side Agreement and the transactions contemplated thereunder, and the Proposed Change of Company Name. Therefore, no Shareholder is required to abstain from voting on the resolutions to be proposed at the EGM in relation to the Acquisition, the Potential Acquisition, the Acquisition Agreement, the New Shareholders' Agreement, the Side Agreement and the Proposed Change of Company Name. None of the Directors have a material interest in the Acquisition, the Potential Acquisition, the Acquisition Agreement, the New Shareholders' Agreement, the Side Agreement and the transactions contemplated thereunder, and the Proposed Change of Company Name, and are not required to abstain from voting on the board resolutions in respect thereof.

EGM

A notice convening the EGM to be held at Empire Hotel, 33 Hennessy Road, Wan Chai, Hong Kong on 27 January 2015 at 2:00pm is set out on pages EGM-1 to pages EGM-2 of this circular. Ordinary resolutions will be proposed at the EGM to consider, and if thought fit, to approve the Acquisition, the Potential Acquisition, the Acquisition Agreement, the New Shareholder's Agreement, the Side Agreement and the transactions contemplated thereunder by way of poll. A special resolution will be proposed at the EGM to consider and, if thought fit, to approve the Proposed Change of Company Name by way of poll.

Whether or not you are able to attend the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong but in any event not later than 48 hours before the time appointed for the holding of the EGM or any adjournment thereof. The completion and return of the enclosed form of proxy will not preclude you from attending and voting at the EGM or any adjournment should you so wish.

RECOMMENDATIONS

The Directors, including the independent non-executive Directors, consider that the terms of the Acquisition and the Potential Acquisition, are on normal commercial terms; and the Acquisition Agreement, the New Shareholders' Agreement, the Side Agreement and the transactions contemplated thereunder, and the Proposed Change of Company Name are fair and reasonable so far as the Company and the Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the resolutions to approve the Acquisition, the Potential Acquisition, the Acquisition Agreement, the New Shareholders' Agreement, the Side Agreement and the transactions contemplated thereunder, and the Proposed Change of Company Name to be proposed at the EGM.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular, which form part of this circular.

The Acquisition is conditional on certain conditions precedent and may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

By order of the Board of
Sumpo Food Holdings Limited
Yeung Chun Wai, Anthony
Vice Chairman

1. FINANCIAL SUMMARY

The following is a summary of the results and financial positions of the Group for each of and as at the three years ended 31 December 2013 and the six months ended 30 June 2013 and 2014, extracted from the annual reports and interim reports of the Company, respectively. No qualified opinion has been expressed by the auditors of the Company on the audited financial statements of the Group for each of the three years ended 31 December 2013.

(i) Consolidated statement of profit or loss and other comprehensive income

	For the period ended 30 June		For the year ended 31 December		
	2014	**2013**	**2013**	**2012**	**2011**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	530,586	490,747	1,041,847	787,481	663,041
Cost of sales	(495,439)	(448,891)	(982,174)	(717,948)	(541,343)
Gross profit	35,147	41,856	59,673	69,533	121,698
Other revenue and gain	12,507	5,847	25,450	15,594	16,607
Change in fair value less costs to sell of biological assets	(3,063)	(1,802)	3,252	(2,956)	(3,025)
Net gain on financial assets at fair value through profit or loss	9,839	1,245	2,197	2,204	(1,296)
Fair value of agricultural produce on initial recognition	51,510	38,349	100,353	69,827	64,920
Reversal of fair value of agricultural produce due to hatch and disposals	(52,569)	(39,079)	(98,415)	(68,403)	(62,260)
Selling and distribution expenses	(14,680)	(9,230)	(19,911)	(13,559)	(13,409)
Administrative expenses	(27,168)	(19,722)	(38,418)	(41,038)	(47,061)
Finance costs	(5,760)	(4,684)	(10,963)	(6,890)	(5,198)
Other operating expenses	(16,049)	(15,151)	(34,036)	(27,191)	(22,713)
Loss before taxation	(10,286)	(2,371)	(10,818)	(2,879)	48,263
Taxation	17	(477)	(672)	3,808	(1,159)
(Loss)/profit for the year	(10,269)	(2,848)	(11,490)	929	47,104

	For the period ended 30 June		For the year ended 31 December		
	2014	2013	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Other comprehensive income for the period, net of income tax:		**Other comprehensive income for the year, net of income tax:**		
Exchange differences on translating foreign operations	–	–	–	–	10
Other comprehensive income for the year, net of income tax	–	–	–	–	10
Total comprehensive (loss)/income for the year	–	–	(11,490)	929	47,114
	Loss for the period attributable to:		**(Loss)/profit for the year attributable to:**		
Owners of the Company	(10,017)	(2,952)	(12,762)	80	42,840
Non-controlling interests	(252)	104	1,272	849	4,264
	(10,269)	(2,848)	(11,490)	929	47,104
	Total comprehensive loss for the period attributable to:		**Total comprehensive (loss)/ income for the year attributable to:**		
Owners of the Company	(10,017)	(2,952)	(12,762)	80	42,850
Non-controlling interests	(252)	104	1,272	849	4,264
	(10,269)	(2,848)	(11,490)	929	47,114
(Loss)/earnings per share					
Basic and diluted (RMB cents per share)	(0.50)	(0.18)	(0.77)	0.00	2.59

(ii) Consolidated statement of financial position

	As at 30 June		As at 31 December		
	2014	2013	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	342,487	330,161	343,870	328,858	226,528
Investment property	942	978	959	995	1,031
Biological assets	11,601	11,123	14,056	14,509	12,419
Prepaid lease payments	50,890	51,949	50,616	51,949	53,247
Prepayment for prepaid lease payments	18,010	–	18,010	–	–
Deferred tax assets	4,303	4,481	4,286	4,712	839
	428,233	398,692	431,797	401,023	294,064
Current assets					
Inventories	96,663	93,748	105,689	68,835	54,118
Biological assets	8,221	4,018	3,154	4,715	6,651
Trade receivables	41,754	34,880	29,538	24,279	14,050
Deposits paid, prepayments and other receivables	108,582	75,779	45,949	43,926	90,601
Prepaid lease payments	1,298	649	1,298	1,298	1,298
Financial assets at fair value through profit or loss	69,038	32,140	32,469	30,895	92
Pledged bank deposits	–	2,000	–	36,000	12,780
Cash and bank balances	46,770	111,929	108,717	131,137	144,001
	372,326	355,143	326,814	341,085	324,591
Current liabilities					
Trade payables	52,021	65,170	34,113	19,312	20,744
Accruals, deposits received and other payables	44,756	46,846	52,269	65,688	30,329
Bank borrowings	177,000	147,000	187,000	158,492	30,630
	273,777	259,016	273,382	243,492	81,703
Net current assets	98,549	96,127	53,432	97,593	242,888
Total assets less current liabilities	526,782	494,819	485,229	498,616	536,952

	As at 30 June		As at 31 December		
	2014	2013	2013	2012	2011
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Equity					
Share capital	167,392	141,007	141,007	141,007	141,007
Reserves	328,470	321,912	312,102	324,864	338,336
Equity attributable to owners of the Company	495,862	462,919	453,109	465,871	479,343
Non-controlling interests	14,249	13,333	14,501	13,229	16,340
Total equity	510,111	476,252	467,610	479,100	495,683
Non-current liability					
Bank borrowings	–	–	–	–	20,000
Deferred revenue	16,671	18,567	17,619	19,516	21,269
	16,671	18,567	17,619	19,516	41,269
Total equity and non-current liability	526,782	494,819	485,229	498,616	536,952

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The audited financial information of the Group (i) for the year ended 31 December 2013 has been disclosed on pages 46 to 126 on the annual report of the Company for the year ended 31 December 2013 published on 28 April 2014; (ii) for the year ended 31 December 2012 has been disclosed on pages 43 to 112 of the annual report of the Company for the year ended 31 December 2012 published on 19 April 2013; and (iii) for the year ended 31 December 2011 has been disclosed on pages 39 to 118 of the annual report of the Company for the year ended 31 December 2011 published on 3 April 2012. The said annual reports of the Company for the years ended 31 December 2013, 31 December 2012 and 31 December 2011 are available on the Company's website at http://www.sumpofood.com/UploadFile/201442817322319586.pdf, http://www.sumpofood.com/UploadFile/2013419850524713.pdf and http://www.sumpofood.com/UploadFile/20120412002.pdf, respectively.

The unaudited financial information of the Group (i) for the six months ended 30 June 2014 has been disclosed on pages 14 to 34 of the interim report of the Company for the six months ended 30 June 2014 published on 22 September 2014; and (ii) for the six months ended 30 June 2013 has been disclosed on pages 13 to 34 of the interim report of the Company for the six months ended 30 June 2013 published on 10 September 2013. The said interim reports of the Company for the periods ended 30 June 2014 and 30 June 2013 are available on the Company's website at http://www.sumpofood.com/UploadFile/201492218422136924.pdf and http://www.sumpofood.com/UploadFile/201391020143793026.pdf, respectively.

3. INDEBTEDNESS STATEMENT

As at the close of business on 31 October 2014, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had total indebtedness as follows:

	HK$'000
Current	
Short-term borrowings	343,980
Total borrowings	343,980
Representing:	
– secured *(Note (g))*	37,800
– guaranteed *(Note (a), (c), (d), (e), (f))*	226,800
– guaranteed and secured *(Note (b) and (h))*	79,380
	343,980
Long-term bond payable – unguaranteed and unsecured	4,024
Total indebtedness	348,004

(a) As at 31 October 2014, bank borrowings of approximately RMB70,000,000 (equivalent to approximately HK$88,200,000) were guaranteed by Longyan Baotai Agriculture Company Limited ("Longyan Baotai"), a subsidiary of the Group. The bank borrowings bear interest at 6% per annum.

(b) As at 31 October 2014, bank borrowings of approximately RMB33,000,000 (equivalent to approximately HK$41,580,000) were guaranteed by Fujian Baojiashun Food Development Limited ("Fujian Baojiashun") and Xiamen Sumpo Food Trading Limited ("Xiamen Sumpo"), subsidiaries of the Group, and a director of the Company, Mr. Lin Qinglin and secured by a deposit held by Fujian Sumpo Food Holdings Co., Ltd ("Fujian Sumpo"). The bank borrowings bear interest at 6.48% per annum.

(c) As at 31 October 2014, bank borrowings of approximately RMB30,000,000 (equivalent to approximately HK$37,800,000) were guaranteed by Longyan Baotai, a director of the Company, Mr. Lin Qinglin, and a shareholder of the Company, Mr. Lin Genghua (i.e. the son of Mr. Lin Qinglin). The bank borrowings bear interest at 7.2% per annum.

(d) As at 31 October 2014, bank borrowings of approximately RMB25,000,000 (equivalent to approximately HK$31,500,000) were guaranteed by Fujian Sumpo and Longyan Baotai held by the Group. The bank borrowings bear interest at 6% per annum.

(e) As at 31 October 2014, bank borrowings of approximately RMB27,000,000 (equivalent to approximately HK$34,020,000) were guaranteed by in Fujian Sumpo. The bank borrowings bear interest at 6% per annum.

(f) As at 31 October 2014, bank borrowings of approximately RMB28,000,000 (equivalent to approximately HK$35,280,000) were guaranteed by Fujian Sumpo, Fujian Baojiashun and Xiamen Sumpo and the director of the Company, Mr. Lin Qinglin. The bank borrowings bear interest at 6.6% per annum.

(g) As at 31 October 2014, bank borrowings of approximately RMB30,000,000 (equivalent to approximately HK$37,800,000) were secured by a deposit, buildings and land use right of the Group. The bank borrowings bear interest at 6% per annum.

(h) As at 31 October 2014, bank borrowings of approximately RMB30,000,000 (equivalent to approximately HK$37,800,000) were guaranteed by Fujian Sumpo, Fujian Baojiashun and a director of the Company, Mr. Lin Qinglin and a shareholder of the Company, Mr. Lin Genghua (i.e. the son of Mr. Lin Qinglin), and secured by 7,600,000 shares in Xiamen Bank held by Longyan Baotai. The bank borrowings bear interest at 6.72% per annum.

(i) As at 31 October 2014, the Enlarged Group had long-term bond payable to an independent third party with amortised cost of approximately HK$4,024,000 (principal amount of HK$5,000,000) with maturity on the second day over 84 months. The long-term bond payable bears interest at 5% per annum.

Save as aforesaid or otherwise disclosed herein and apart from intra-group liabilities, the Enlarged Group did not have any outstanding debt securities issued and outstanding or authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowing including bank overdrafts, liabilities, under acceptances (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, material contingent liabilities and guarantees outstanding as at the close of business on 31 October 2014.

4. WORKING CAPITAL

The Directors expect that an amount of US$69.6 million (equivalent to approximately HK$539.4 million) out of the Consideration of US$73.2 million (equivalent to approximately HK$567.3 million) payable by Multi Dynamic Games for the Sumpo Sale Shares will be settled by way of equity fund raising. In determining the sufficiency of the working capital of the Enlarged Group, the Directors have made an assumption that the above equity fund of US$69.6 million (equivalent to approximately HK$539.4 million) will be duly obtained to finance the Consideration. As at the Latest Practicable Date, the Company (i) has not made any concrete agreement and arrangement in relation to equity fund raising; and (ii) has not made any share placement with any potential investors.

Moreover, as at 31 October 2014 (being the latest practicable date in determining the indebtedness of the Enlarged Group), the Enlarged Group had total bank borrowings of approximately RMB273.0 million (equivalent to approximately HK$344.0 million). In determining the sufficiency of the working capital of the Enlarged Group, the Directors have made an assumption that the Group's existing bank borrowings of approximately RMB273.0 million (equivalent to approximately HK$344.0 million), which are due for repayment within the next 12 months from the date of publication of this circular, will be duly renewed or otherwise replaced by new financing arrangement of equivalent amounts. The Company has not obtained any written confirmation with these banks that such facilities expiring before 31 December 2015 will be renewed, though based on past experience, the Directors are of the opinion that the aforesaid renewal/new financing arrangements will be available to the Enlarged Group within the next 12 months from the date of publication of this circular.

The Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Enlarged Group's business prospects, internal resources and available banking facilities and based on the assumptions regarding the financing arrangements for the equity fund raising and the bank borrowings as set out above, the Enlarged Group has sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

If the Group fails to obtain the equity fund raising, or to renew the bank borrowings or otherwise replace them by new financing arrangement of equivalent amounts, it will not have sufficient working capital for its present requirements for at least the next twelve months from the date of this circular.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2013 of the Group were made up.

6. MATERIAL CHANGE

Save and except for the proposed Acquisition and the planned equity fund raising exercise to satisfy the amount payable by Multi Dynamic Games for the Sumpo Sale Shares of US$69.6 million (equivalent to approximately HK$539.4 million) as set out in this circular, as at the Latest Practicable Date, the Directors were not aware of any material change in the financial or trading position of the Group since the date to which the latest published audited accounts for the financial year ended 31 December 2013 of the Group were made up.

7. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the trading and manufacturing of chicken meat products, animal feeds and chicken breeds under the "Sumpo" brand. As mentioned under the section "Reasons for and benefits of the Acquisition" in the letter of the Board, during the year ended 31 December 2013 and the six months ended 30 June 2014, the Group recorded net loss of approximately RMB11.5 million and approximately RMB10.3 million. The Company attributed such slow recovery in the Chicken Business' profitability to the lingering effects of the H7N9 incident, which occurred in the first half of 2013 and continued to negatively affect the price of and overall demand for chicken meat products in the PRC up until the first half of year 2014. With the chicken and meats products industry still being fragmented, the Company aims to take advantage of such situation by using its cost advantage to gain further market share.

Apart from the lingering effects of the H7N9 incident, the Group's Chicken Business has also been pressured by the increase in feed cost, increase in price of labour, and stricter environmental regulations. Through stringent cost control measures and the establishment of a technology innovation team to enhance production techniques, the Group is confident that its Chicken Business will gradually return to profitability. Furthermore, the Group's strong brand differentiation allows the Group to differentiate from its competitors, and its current production facilities, which include four breeder farms, two hatching facilities, five broiler breeding farms, one animal feeds production facility and one slaughtering and processing facility, are all highly integrated with state-of-the-art technology in processing chicken products and eggs. In addition to current production facilities, the Group is looking to invest on a 600,000 tons annual output feed mill, one breeder farm and another broiler farm, which would allow the Group to achieve an even higher production capacity while maintaining its operational efficiency.

In relation to the procurement channels of the Group's Chicken Business, the Group will continue to purchase materials directly from production entities whenever possible in order to reduce the number of intermediaries and costs, and plan to apply the tariff quota of

corn to utilize the price gap between domestic price of corn and foreign sources. The Group's procurement department will continue to closely follow the market trend and strengthen its cooperation with large enterprises and trading enterprises in the grain-producing regions. In addition, the Group will procure raw materials additive in bulk through auction to further lower its procurement cost. The combined effect of such measures will enable the Group to reduce its procurement costs and the pressure on profit margins. In relation to the product mix of the Group's Chicken Business, the Group also plans to develop new products such as new flavourings and fresh meat products to add to its existing lineup, to increase its chicken meat products market share and secure more orders from large-scale fast food chains for its fast food products. This will help the Group meet market demands, and provide it with a diversified lineup in the chicken meat products industry to keep it ahead of competitors.

The Group recognizes that the most significant risk to its Chicken Business is the outbreak of animal diseases that will lead to the extermination of broilers and decrease in sales. The Group will continue to ensure the safety and qualities of its chicken meat products and the materials purchased from independent third suppliers by adopting a stringent quality and management control system to ensure that its products will meet the required standard. Furthermore, the Group has established a comprehensive food safety and hygiene system and quality control system to differentiate the quality of its "Sumpo" branded chicken meat products from its competitors, and will continue to perform constant monitoring of its processing facilities through on-site inspection at breeding factories and farms to reduce the risks of disease and increase its product quality.

As the Chicken Business can be volatile and cyclical in nature due to the adverse effects which external factors outside of the Group's control may bring to the Chicken Business (e.g. unexpected bird flu epidemics or other poultry virus outbreaks), the Group has been looking for investment and business opportunities unrelated to the Chicken Business with a view to diversify and reduce its overall risk profile, as well as to enhance growth and stability of the Group's future profitability. The Group has since identified the gaming industry, and in particular the video games sector specializing in Free-to-Play online games, as a fast-growing industry which can broaden and enhance the income base of the Group. As stated in the section headed "Information on Digital Extremes" above, in addition to Digital Extremes' success in collaborating with large independent third party publishers for popular games via work-for-hire projects, Digital Extremes launched Warframe in March 2013, which gained immediate recognition and success in the market and has become the key revenue driver for Digital Extremes from 2013 onwards. Eyeing the potential of this widely popular title, and the expected launch of Digital Extremes next self-owned Free-to-Play game, the Directors are confident that the Acquisition will enhance the growth of the Group's future profitability and provide additional value to the Shareholders. Furthermore, with the experience and knowledge of Perfect World in the gaming industry, the Directors believe that the Group will be able to gain valuable industry experience in the gaming industry from such co-investment with Perfect Online. Perfect World is a leading online game developer and operator based in the PRC. In particular, on 5 December 2014, Shanghai Perfect World Network Technology Co., Ltd., an affiliated company of Perfect World, and Digital Extremes entered into the Exclusive Distribution Agreement, pursuant to which, among other things, the Publisher shall have an exclusive right to publish Warframe on console platform, in the PRC.

The following is a text of a report received from the Company's reporting accountants, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.



羅兵咸永道

23 December 2014

The Board of Directors
Sumpo Food Holdings Limited

Dear Sirs,

We report on the financial information of Digital Extremes Ltd. (the "Target") and its subsidiaries (together, the "Target Group"), which comprises the consolidated statements of financial position of the Target as at 31 October 2011, 2012 and 2013 and 31 August 2014, the statements of financial position of the Target as at 31 October 2011, 2012 and 2013 and 31 August 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target for each of the years ended 31 October 2011, 2012 and 2013 and the ten months ended 31 August 2014 (the "Relevant Periods") and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of Sumpo Food Holdings Limited (the "Company") and is set out in Sections I to III below for inclusion in Appendix II to the circular of the Company dated 23 December 2014 (the "Circular") in connection with the proposed acquisition of the Target by the Company.

The Target was incorporated in Ontario, Canada with limited liability under the Business Corporations Act.

As at the date of this report, the Target has direct interests in the subsidiaries as set out in Note 28 of Section II below.

The consolidated financial statements of the Target prepared in accordance with Canadian Accounting Standards for Private Enterprises for each of the years ended 31 October 2011, 2012 and 2013 were audited by Ernst & Young LLP.

The directors of the Target are responsible for the preparation of the consolidated financial statements of the Target for the Relevant Periods that give a true and fair view in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"), and for such internal control as the directors determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon, and on the basis set out in Note 2 of Section II below.

Directors' Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs and accounting policies adopted by the Company and its subsidiaries (together, the "Group") as set out in the annual report of the Company for the year ended 31 December 2013.

Reporting Accountant's Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Target and of the Target Group as at 31 October 2011, 2012 and 2013 and 31 August 2014 and of the Target Group's results and cash flows for the Relevant Periods then ended.

Review of stub period comparative financial information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix II to the Circular which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows of the Target for the ten months ended 31 August 2013 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below and the accounting policies adopted by the Group as set out in the annual report of the Company for the year ended 31 December 2013.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance

with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

DIGITAL EXTREMES LTD.
(All amounts in Canadian Dollars unless otherwise stated)

I. FINANCIAL INFORMATION

The following is the financial information of Digital Extremes Ltd. (the "Target") and its subsidiaries (together, the "Target Group") prepared by the directors of Sumpo Food Holdings Limited (the "Company") as at 31 October 2011, 2012 and 2013 and 31 August 2014 and for each of the years ended 31 October 2011, 2012 and 2013 and each of the ten months ended 31 August 2013 and 2014 (the "Financial Information"), presented on the basis set out in Note 2 of Section II below.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 October 2011, 2012 and 2013 and for the ten months ended 31 August 2014

		Year ended 31 October			Ten months ended 31 August	
	Note	**2011**	**2012**	**2013**	**2013**	**2014**
		CAD	*CAD*	*CAD*	*CAD*	*CAD*
					(Unaudited)	
Revenue	*5*	15,112,830	13,449,793	27,329,600	22,224,160	52,634,762
Cost of revenue	*7*	(10,469,239)	(9,608,246)	(17,877,002)	(13,604,155)	(24,777,481)
Gross profit		4,643,591	3,841,547	9,452,598	8,620,005	27,857,281
Other income	*6*	–	–	1,293,791	853,639	461,297
Selling and marketing expenses	*7*	(552,426)	(589,196)	(2,871,605)	(2,672,376)	(4,986,198)
General and administrative expenses	*7*	(1,623,560)	(4,314,249)	(1,724,871)	(1,490,495)	(3,265,864)
Other (losses)/gains, net	*8*	(29,657)	(14,300)	96,784	204,042	(51,397)
Profit/(loss) before finance costs and tax		2,437,948	(1,076,198)	6,246,697	5,514,815	20,015,119
Finance income	*10*	63,683	40,708	58,362	51,125	99,984
Finance costs	*10*	–	–	(152,055)	(71,914)	(232,035)
Finance income/(costs) – net		63,683	40,708	(93,693)	(20,789)	(132,051)
Profit/(loss) before income tax		2,501,631	(1,035,490)	6,153,004	5,494,026	19,883,068
Income tax (expense)/credit	*11*	(181,016)	511,069	(1,656,426)	(1,479,025)	(5,287,180)
Profit/(loss) for the year/ period		2,320,615	(524,421)	4,496,578	4,015,001	14,595,888

	Note	Year ended 31 October			Ten months ended 31 August	
		2011	2012	2013	2013	2014
		CAD	*CAD*	*CAD*	*CAD*	*CAD*
					(Unaudited)	
Other comprehensive loss:						
Item that may be reclassified to profit or loss						
Currency translation differences		–	–	–	–	(44)
Total comprehensive income/ (loss) for the year/period		2,320,615	(524,421)	4,496,578	4,015,001	14,595,844
Earnings/(loss) per share for profit/(loss) attributable to equity holders of the Target (expressed in CAD cents per share)						
– Basic and diluted		23.2	(5.2)	34.5	34.5	73
Dividend	*12*	–	–	10,000,000	10,000,000	–

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 October 2011, 2012, 2013 and 31 August 2014

	Note	As at 31 October 2011 CAD	2012 CAD	2013 CAD	As at 31 August 2014 CAD
ASSETS					
Non-current assets					
Property, plant and equipment	*14*	2,137,257	2,025,468	1,758,945	2,070,472
Intangible assets	*15*	171,634	197,373	66,762	18,006
Deferred income tax	*16*	126,745	612,237	253,628	361,915
		2,435,636	2,835,078	2,079,335	2,450,393
Current assets					
Inventories	*18*	–	–	37,352	68,174
Government grant receivable	*27*	5,885,103	7,968,682	10,093,233	11,499,120
Derivative financial instruments	*26*	–	–	–	12,757
Trade and other receivables	*17*	3,050,326	1,397,386	2,273,264	7,259,123
Amount due from a shareholder	*32*	608,887	136,289	455,276	–
Financial assets at fair value through profit or loss	*19*	–	–	–	546,485
Cash and cash equivalents	*20*	2,714,259	1,721,669	5,940,519	10,097,434
		12,258,575	11,224,026	18,799,644	29,483,093
Total assets		14,694,211	14,059,104	20,878,979	31,933,486
EQUITY AND LIABILITIES					
Equity attributable to owners of the Target					
Share capital	*21 and 22*	100	100	300	300
Share based compensation reserve	*23*	–	–	475,864	475,864
Exchange reserve		–	–	–	(44)
Retained earnings		10,148,181	9,623,760	4,120,338	18,716,226
Total equity		10,148,281	9,623,860	4,596,502	19,192,346
LIABILITIES					
Non-current liability					
Deferred credits and other liabilities	*25*	1,317,745	1,691,176	1,496,041	1,333,428
Current liabilities					
Trade and other payables	*24*	1,363,998	1,419,334	1,848,223	2,023,973
Deferred credits and other liabilities	*25*	882,915	760,127	1,666,053	2,721,073
Derivative financial instruments	*26*	42,639	21,141	4,961	–
Loan from the ultimate holding company	*32*	–	–	10,000,000	–
Income tax payable		938,633	543,466	1,267,199	6,662,666
		3,228,185	2,744,068	14,786,436	11,407,712

	Note	As at 31 October 2011 CAD	2012 CAD	2013 CAD	As at 31 August 2014 CAD
Total liabilities		4,545,930	4,435,244	16,282,477	12,741,140
Total equity and liabilities		14,694,211	14,059,104	20,878,979	31,933,486
Net current assets		9,030,390	8,479,958	4,013,208	18,075,381
Total assets less current liabilities		11,466,026	11,315,036	6,092,543	20,525,774

STATEMENT OF FINANCIAL POSITION

As at 31 October 2011, 2012, 2013 and 31 August 2014

	Note	As at 31 October			As at 31 August
		2011	2012	2013	2014
		CAD	CAD	CAD	CAD
ASSETS					
Non-current assets					
Property, plant and equipment	*14*	2,137,257	2,025,468	1,758,945	2,045,965
Intangible assets	*15*	171,634	197,373	66,762	18,006
Investment in subsidiaries	*28*	100	–	–	109
Deferred income tax	*16*	126,745	612,237	253,628	361,915
		2,435,736	2,835,078	2,079,335	2,425,995
Current assets					
Inventories	*18*	–	–	37,352	68,174
Government grant receivable	*27*	5,885,103	7,968,682	10,093,233	11,499,120
Derivative financial instruments	*26*	–	–	–	12,757
Trade and other receivables	*17*	3,050,213	1,397,273	2,273,151	7,198,820
Amount due from a shareholder	*32*	608,887	136,289	455,276	–
Amount due from a subsidiary	*32*	–	–	–	193,084
Financial assets at fair value through profit or loss	*19*	–	–	–	546,485
Cash and cash equivalents	*20*	2,713,846	1,721,294	5,940,142	9,994,641
		12,258,049	11,223,538	18,799,154	29,513,081
Total assets		14,693,785	14,058,616	20,878,489	31,939,076
EQUITY AND LIABILITIES					
Equity attributable to owners of the Target					
Share capital	*21 and 22*	100	100	300	300
Share based compensation reserve	*13 and 23*	–	–	475,864	475,864
Retained earnings	*13*	10,173,823	9,649,340	4,145,916	18,758,685
Total equity		10,173,923	9,649,440	4,622,080	19,234,849
LIABILITIES					
Non-current liability					
Deferred credits and other liabilities	*25*	1,317,745	1,691,176	1,496,041	1,333,428

	Note	As at 31 October			As at 31 August
		2011	2012	2013	2014
		CAD	CAD	CAD	CAD
Current liabilities					
Trade and other payables	24	1,337,930	1,393,266	1,822,155	1,987,060
Deferred credits and other liabilities	25	882,915	760,127	1,666,053	2,721,073
Derivative financial instruments	26	42,639	21,141	4,961	–
Loan from the ultimate holding company	32	–	–	10,000,000	–
Income tax payable		938,633	543,466	1,267,199	6,662,666
		3,202,117	2,718,000	14,760,368	11,370,799
Total liabilities		4,519,862	4,409,176	16,256,409	12,704,227
Total equity and liabilities		14,693,785	14,058,616	20,878,489	31,939,076
Net current assets		9,055,932	8,505,538	4,038,786	18,142,282
Total assets less current liabilities		11,491,668	11,340,616	6,118,121	20,568,277

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the years ended 31 October 2011, 2012 and 2013 and for the ten months ended 31 August 2014

	Attributable to equity holders of the Target			
	Share capital *CAD*	**Retained earnings** *CAD*	**Share based compensation reserve** *CAD*	**Total equity** *CAD*
Balance at 1 November 2010	100	7,827,566	–	7,827,666
Comprehensive income				
Profit for the year	–	2,320,615	–	2,320,615
Total comprehensive income	–	2,320,615	–	2,320,615
Balance at 31 October 2011	100	10,148,181	–	10,148,281
Balance at 1 November 2011	100	10,148,181	–	10,148,281
Comprehensive loss				
Loss for the year	–	(524,421)	–	(524,421)
Total comprehensive loss	–	(524,421)	–	(524,421)
Balance at 31 October 2012	100	9,623,760	–	9,623,860
Balance at 1 November 2012	100	9,623,760	–	9,623,860
Comprehensive income				
Profit for the year	–	4,496,578	–	4,496,578
Total comprehensive income	–	4,496,578	–	4,496,578

	Attributable to equity holders of the Target			
	Share capital *CAD*	Retained earnings *CAD*	Share based compensation reserve *CAD*	Total equity *CAD*
Total contributions by and distributions to owners of the Target recognised directly in equity				
Issuance of common shares	200	–	–	200
Issuance of Class B special shares *(Note 22)*	100	–	–	100
Repurchase of common shares	(100)	–	–	(100)
Dividend	–	(10,000,000)	–	(10,000,000)
Share based payment expenses *(Note 23)*	–	–	475,864	475,864
Total transactions with owners	200	(10,000,000)	475,864	(9,523,936)
Balance at 31 October 2013	300	4,120,338	475,864	4,596,502
Balance at 1 November 2012	100	9,623,760	–	9,623,860
Comprehensive income				
Profit for the period	–	4,015,001	–	4,015,001
Total comprehensive income	–	4,015,001	–	4,015,001
Total contributions by and distributions to owners of the Target recognised directly in equity				
Issuance of common shares	200	–	–	200
Issuance of Class B special shares *(Note 22)*	100	–	–	100
Repurchase of or common shares	(100)	–	–	(100)
Dividend	–	(10,000,000)	–	(10,000,000)
Share based payment expenses *(Note 23)*	–	–	475,864	475,864
Total transactions with owners	200	(10,000,000)	475,864	(9,523,936)
Balance at 31 August 2013 (Unaudited)	300	3,638,761	475,864	4,114,925

	Attributable to equity holders of the Target				
	Share capital *CAD*	Retained earnings *CAD*	Share based compensation reserve *CAD*	Exchange reserve *CAD*	Total equity *CAD*
Balance at 1 November 2013	300	4,120,338	475,864	–	4,596,502
Comprehensive income					
Profit for the period	–	14,595,888	–	–	14,595,888
Other comprehensive loss					
Exchange difference on translation of operation of an overseas subsidiary	–	–	–	(44)	(44)
Total comprehensive income/ (loss)	–	14,595,888	–	(44)	14,595,844
Balance at 31 August 2014	300	18,716,226	475,864	(44)	19,192,346

CONSOLIDATED STATEMENT OF CASH FLOWS

For the years ended 31 October 2011, 2012 and 2013 and for the ten months ended 31 August 2014

	Note	Year ended 31 October			Ten months ended 31 August	
		2011	2012	2013	2013	2014
		CAD	CAD	CAD	CAD	CAD
					(Unaudited)	
Cash flows from operating activities						
Cash generated from/(used in) operations	29	533,596	(2,758,631)	1,874,475	2,462,046	10,557,807
Government grant received from OMDC	27	2,205,287	2,246,441	3,438,331	2,762,752	4,312,421
Income tax and tax incentive refund		577,374	(369,590)	(574,084)	156,172	–
Net cash generated from/(used in) operating activities		3,316,257	(881,780)	4,738,722	5,380,970	14,870,228
Cash flows from investing activities						
Payment for purchase of property, plant and equipment		(2,138,598)	(324,947)	(134,873)	(139,196)	(774,721)
Purchase of intangible assets		(291,973)	(299,169)	(124,574)	(144,193)	(22,893)
Proceeds from sales of financial assets at fair value through profit or loss		–	–	–	–	55,203
Proceeds from bank deposit pledged for office lease		55,432	–	–	–	–
Interest received		63,683	40,708	58,362	51,125	99,984
(Advance to)/repayment from shareholder		(608,887)	472,598	(318,987)	(318,987)	455,276
Purchase of financial assets at fair value through profit or loss		–	–	–	–	(526,201)
Net cash used in investing activities		(2,920,343)	(110,810)	(520,072)	(551,251)	(713,352)

	Note	Year ended 31 October			Ten months ended 31 August	
		2011	2012	2013	2013	2014
		CAD	CAD	CAD	CAD	CAD
					(Unaudited)	
Cash flows from financing activities						
Proceeds from issuance of ordinary shares		–	–	200	200	–
Repayment of loan from shareholder		–	–	–	–	(10,000,000)
Net cash generated from/(used in) financing activities		–	–	200	200	(10,000,000)
Net increase/(decrease) in cash and cash equivalents		395,914	(992,590)	4,218,850	4,829,919	4,156,876
Cash and cash equivalents at beginning of year/period		2,318,345	2,714,259	1,721,669	1,721,669	5,940,519
Effect of foreign exchange rate changes, net		–	–	–	–	39
Cash and cash equivalents at end of year/period	*20*	2,714,259	1,721,669	5,940,519	6,551,588	10,097,434

NOTES TO THE FINANCIAL INFORMATION

II. GENERAL INFORMATION AND REORGANISATION

1.1 General information of the Target Group

The Target is a limited liability company incorporated in Ontario, Canada. The address of its registered office is 250 York Street, Suite 100, London, Ontario, Canada, N6A 6K2.

The Target Group are principally engaged in the development of video games for both console and computer platforms. Prior to 2013, the Target focused on developing retail games for third party publishers under the "work-for-hire" model. Since 2013, the Target started to develop and sell online games under the "free-to-play" model. The Target began the distribution of a self-published title through various online distributors in March 2013.

The Financial Information is presented in Canadian Dollars ("CAD"), unless otherwise stated.

2 SUMMARY OF PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied during the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information has been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit or loss.

The preparation of the Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Target Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in Note 4.

The following new standards, amendments and interpretation have been issued but are not effective for the annual accounting period beginning 1 November 2013 and have not been early adopted.

Standards/Interpretation	Subject of amendment	Effective for the accounting periods beginning on or after
IFRS 9	Financial Instruments	1 November 2018
IFRS 10, IFRS 12 and IAS 27 (2011)	Investment Entities	1 November 2014
IFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations	1 November 2016
IFRS 14	Regulatory Deferral Accounts	1 November 2016
IFRS 15	Revenue from Contracts with Customers	1 November 2017
IAS 16 and IAS 38 (Amendment)	Clarification of acceptable methods of depreciation and amortisation	1 November 2014
IAS 19 (Amendment)	Defined Benefit Plans	1 November 2014
IAS 32 (Amendment)	Offsetting Financial Assets and Financial Liabilities	1 November 2014
IAS 36 (Amendment)	Recoverable Amount Disclosures for Non-Financial Assets	1 November 2014
IAS 39 (Amendment)	Novation of Derivatives and Continuation of Hedge Accounting	1 November 2014
IFRIC-Int 21	Levies	1 November 2014
Annual improvement to IFRSs	2010-2012 cycle	1 November 2014
Annual improvement to IFRSs	2011-2013 cycle	1 November 2014
Annual improvement to IFRSs	2012-2014 cycle	1 November 2016

For revisions and amendments to the accounting standards the Target Group is in the process of making an assessment of the impact of these new or revised standards, amendments to existing standards and interpretation on its result of operation and financial position.

2.2 Subsidiaries

(i) Consolidation

A subsidiary is an entity (including a structured entity) over which the Target Group has control. The Target Group controls an entity when the Target Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Target Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between Target group companies are eliminated. Profit and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Target Group.

(ii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Target on the basis of dividend received and receivable.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of director that makes strategic decisions.

2.4 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Target Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Financial Information is presented in CAD, which is the Target's functional and the Target Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in consolidated statement of comprehensive income.

2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Target Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to consolidated statement of comprehensive income during the Relevant Periods in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives
Furniture & fixtures	10 years
Computer hardware	2 years
Leasehold improvements	10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gain and losses on disposal are determined by comparing the proceeds with the carrying amount of the relevant assets and is recognised within "other (losses)/gains, net" in the consolidated statement of comprehensive income.

2.6 Intangible assets

Intangible assets are recorded at cost less accumulated amortisation and any related government assistance. Amortisation of intangible assets is calculated over their estimated useful lives using the straight-line method and the following period:

	Useful lives
Computer software	12 months

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

(i) Classification

The Target Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purposes for which the financial assets were acquired. The director of the Target determines the classification of its financial assets at initial recognition. As at 31 August 2014, the Target Group had loans and receivables and financial assets at fair value through profit or loss. As at 31 October 2013, 2012 and 2011, the Target Group only had loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of each reporting period, in which case they are classified as non-current assets. The Target Group's loans and receivables comprise 'trade and other receivables' and 'cash and cash equivalents' in the consolidated statement of financial position (Notes 2.12 and 2.13).

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Target Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in consolidated statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Target Group has transferred substantially all risks and rewards of ownership. Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in consolidated statement of comprehensive income within 'other (losses)/gains, net' in the period in which they arise. Interest income from financial assets at fair value through profit or loss is recognised in the consolidated statement of comprehensive income as part of 'finance income' when the Target Group's right to receive payments is established.

2.9 Impairment of financial assets

Assets carried at amortised cost

The Target Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in consolidated statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Target Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in consolidated statement of comprehensive income.

2.10 Inventories

Inventories comprise merchandise held for direct sales and are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.11 Derivative financial instruments which do not qualify for hedge accounting

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Changes in the fair value of the derivative instruments which do not qualify for hedge accounting are recognized immediately in the consolidated statement of comprehensive income within 'other (losses)/gains, net'.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected within one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment.

2.13 Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held at call with banks.

2.14 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.15 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.16 Current and deferred income tax

The tax expenses for the period comprises current and deferred tax. Tax is recognised in consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Target's subsidiary operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(ii) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated balance sheet. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the consolidated balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Outside basis differences

Deferred income tax is provided on temporary differences arising on an investment in a subsidiary, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Target and it is probable that the temporary difference will not reverse in the foreseeable future.

(iii) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.17 Employee benefits

(i) Pension obligations

A defined contribution plan is a pension plan under which the Target Group pays fixed contributions into a separate entity. The Target Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Target Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Target Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Employee leave entitlements

Employee entitlements to annual leave are reorganised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.18 Provisions

Provisions are recognised when the Target Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.19 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Target Group's activities. The Target Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Target Group's activities, as described below.

a) Contract Work

For contract work, advances received from publishers are recognised as revenue based on the percentage-of-completion basis. Contractual amounts are received by the Target Group upon successful completion of contractual milestones. Contract execution payments, received in advance of services being rendered at the beginning of each contract, are deferred and recognised in revenue on a straight-line basis over the contract period. Royalties are received from publishers after the launch of the product. There are receivable quarterly based on a calendar year as calculated by the publisher.

b) Game publishing

Game publishing represent on-line game revenue from current operations. The proceeds from the sale of virtual goods are initially recorded in deferred revenue. Revenue is recognised over the estimated average period that paying players typically play the game. Future paying player usage patterns and behavior may differ from the historical usage patterns and therefore the estimated average playing periods may change in the future.

c) Sales of merchandise goods

Revenue from sales of merchandise goods is recognised when the risk and rewards of the goods have been transferred to the customer, which is usually at the date when the goods are delivered to the customer, the customer has accepted the products and there is no unfulfilled obligations that could affect the customer's acceptance of the goods.

d) Interest income

Interest income mainly represents interest income from bank deposits and is recognised using the effective interest method.

2.20 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Receipts or payments made under operating leases (net of any incentives paid to lessee or received from the lessor) are recognised as income or expense in the consolidated statement of comprehensive income on a straight-line basis over the periods of the lease.

2.21 Dividend distribution

Dividend distribution to the Target's shareholders is recognised as a liability in the Target Group's consolidated statement of financial position in the period in which the dividends are approved by the Target's shareholders.

2.22 Government incentives

Amounts received or receivable resulting from government incentive programs are reflected as either reductions of the cost of assets and expenditures that can be specified of which they related to or government grant income when the Target Group becomes eligible to accrue for them, provided that there is reasonable assurance that the benefits will be realised.

The Target Group is entitled to certain Ontario Interactive Digital Media Tax Credits ("OIDMTC"), which are government grants for scientific research and development activities in Canada, from Ontario Media Development Corporation ("OMDC"). Government grants from OMDC are reflected as reduction in expenditures. The Target Group also receives government grant income from the Ministry of Economic Development, Employment and Infrastructure (previously known as the Ministry of Economic Development, Trade and Employment) ("MEDEI"). This government grant income is accounted for as reduction in the cost of assets capitalised in the statement of financial position or as other income in the consolidated statement of comprehensive income once the Target Group has reasonable assurance that they will be realised and collectable. The incentives recorded by the Target Group are subject to review and approval by the appropriate authorities and it is possible that these amounts will be different from the amounts accounted for in the financial statements.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Target Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Target Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Target Group's financial performance.

Risk management is carried out under the policies approved by the Board of Director (the 'Board'). The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk and investing of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The Target Group has customers in various countries of the world and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars ("USD"). The Target Group currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limited as much as possible the amount of its foreign currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

If Canadian Dollars had weakened/strengthened by 5% against the USD with all other variables held constant, post-tax profit would have been approximately CAD101,000, CAD118,000, CAD107,000 and CAD168,000 higher/lower, for the years ended 31 October 2011 and 2013 and the ten months ended 31 August 2013 and 2014 respectively and post-tax loss would have been approximately CAD78,000 lower/higher for the year ended 31 October 2012, mainly as a result of foreign exchange gains/losses on translation of net monetary assets denominated in USD.

(ii) Interest rate risk

The Target Group's interest rate risk arises from loan from the ultimate holding company.

As at 31 October 2013, if the interest rate on loan from the ultimate holding company had been 100 basis points higher/lower with all other variables held constant, the Target Group's profit after tax for the year would have been decreased/increased by approximately CAD30,000, mainly as a result of higher/lower interest expense on the loan from the ultimate holding company with floating interest rates.

The Target Group has no significant fixed-rate interest-bearing assets and liabilities. The Target Group has not hedged its cash flow interest rate risk.

(b) Credit risk

The credit risk of the Target Group mainly arises from cash and cash equivalents, trade and other receivables and financial assets at fair value through profit or loss. The carrying amounts of these balances represent the Target Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk arising from cash and bank deposits, the Target Group only transacts with reputable commercial banks which are all high-credit-quality financial institutions in Canada. There has been no recent history of default in relation to these financial institutions.

Trade receivables at the end of each reporting period were due from the platforms and third-party payment vendors in cooperation with the Target Group. If the strategic relationship with the platforms and third-party payment vendors is terminated or scaled-back; or if the platforms and third-party payment vendors alter the co-operative arrangements or if they experience financial difficulties in paying the Target Group, the Trade Group's trade receivables might be adversely affected in terms of recoverability. To manage this risk, the Target Group maintains frequent communications with the platforms and third-party payment vendors to ensure the effective credit control. In view of the history of cooperation with the platforms and third-party payment vendors and the sound collection history of receivables due from them, the director of the Target believes that the credit risk inherent in the Target Group's outstanding trade receivable balances due from the platforms and third-party payment vendors is low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The director of the Target believes that there is no material credit risk inherent in the Target Group's outstanding balance of other receivables.

(c) Liquidity risk

The liquidity risk of the Target Group is controlled by maintaining sufficient cash and cash equivalents, which is generated from the operating cash flows and financing cash flows.

The table below analyses the Target Group's and the Target's non-derivative financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of the timing of the cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows.

Target Group

	Less than 1 year *CAD*	**Between 1 and 2 years** *CAD*	**Between 2 and 5 years** *CAD*	**Over 5 years** *CAD*
At 31 October 2011				
Trade and other payables	897,446	–	–	–
Derivative financial instruments	42,639	–	–	–
	940,085	–	–	–
At 31 October 2012				
Trade and other payables	731,509	–	–	–
Derivative financial instruments	21,141	–	–	–
	752,650	–	–	–

	Less than 1 year *CAD*	Between 1 and 2 years *CAD*	Between 2 and 5 years *CAD*	Over 5 years *CAD*
At 31 October 2013				
Trade and other payables	1,190,346	–	–	–
Derivative financial instruments	4,961	–	–	–
Loan from the ultimate holding company	10,500,000	–	–	–
	11,695,307	–	–	–
At 31 August 2014				
Trade and other payables	1,199,271	–	–	–
Derivative financial instruments	–	–	–	–
Loan from the ultimate holding company	–	–	–	–
	1,199,271	–	–	–

Target

	Less than 1 year *CAD*	Between 1 and 2 years *CAD*	Between 2 and 5 years *CAD*	Over 5 years *CAD*
At 31 October 2011				
Trade and other payables	871,378	–	–	–
Derivative financial instruments	42,639	–	–	–
	914,017	–	–	–
At 31 October 2012				
Trade and other payables	705,441	–	–	–
Derivative financial instruments	21,141	–	–	–
	726,582	–	–	–
At 31 October 2013				
Trade and other payables	1,164,278	–	–	–
Derivative financial instruments	4,961	–	–	–
Loan from the ultimate holding company	10,500,000	–	–	–
	11,669,239	–	–	–
At 31 August 2014				
Trade and other payables	1,162,371	–	–	–

(d) Capital risk management

The Target Group's objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders through the optimisation of the debt and equity balance.

In order to maintain or adjust the capital structure, the Target Group may adjust the amount of dividends paid to shareholders, capital returned to shareholders, new shares issued or assets sold to reduce debt.

(e) Fair value estimation

The table below analyses financial instruments carried at fair value by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Target Group and Target's financial assets and liabilities that are measured at fair value as at 31 October 2011, 2012, 2013 and 31 August 2014.

Target Group and Target

	Level 1 *CAD*	**Level 2** *CAD*	**Level 3** *CAD*	**Total** *CAD*
At 31 October 2011				
Liability				
Derivative financial instruments	–	42,639	–	42,639
At 31 October 2012				
Liability				
Derivative financial instruments	–	21,141	–	21,141
At 31 October 2013				
Liability				
Derivative financial instruments	–	4,961	–	4,961
At 31 August 2014				
Asset				
Financial assets at fair value through profit or loss	546,485	–	–	546,485
Derivative financial instruments	–	12,757	–	12,757

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. These instruments are included in level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

As at 31 October 2011, 2012 and 2013 and 31 August 2014 there were no transfer between the levels.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Target Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of player relationship period in the Target Group's game publishing service

As described in Note 2.19, the Target Group recognises revenue from durable and consumable virtual items in game publishing ratably over the estimated average playing period of paying players for the applicable game. The determination of the estimated average playing period is made based on the Target Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual basis. Any adjustments arising from changes in the estimated average playing period as a result of new information will be accounted for as a change in accounting estimate.

(b) Income tax and government incentives

The Target Group is subject to income taxes and is entitled to certain tax incentives in Canada. Significant judgement is required in determining the provision for income taxes and government incentives. There are many transactions and calculations which render the ultimate determination of such amounts uncertain. The Target Group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due, and recognises tax incentives when the realisability and collectability of tax incentives are considered reasonably assured. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred income tax assets and liabilities and government grant receivable in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences can be utilised. The outcome of their actual utilisation may be different. Details of the deferred taxation are disclosed in Note 16.

(c) Employee benefits-share based payments

The Target Group has granted share options to its employees. The director has used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period. Significant estimate on assumptions, such as the underlying equity value, risk-free interest rate expected volatility and dividend yield, is required to be made by the director in applying the Binomial option-pricing model.

(d) Fair value of shares issued to employees

The Target Group has awarded shares to two employees. The director has used the discounted cash flow method to determine the total fair value of these shares awarded. Significant judgements on key assumptions, such as discount rate and projection of future performance are required to be made by the director.

(e) Provision for impairment of trade receivables

Impairment of trade receivables is made based on an assessment of the recoverability of trade receivables. The identification of doubtful debts requires management's judgement and estimates. Provision is made when there is objective evidence that the Target Group will not be able to collect the debts. Where the actual outcome or further expectation is different from the original estimate, such differences will impact the carrying value of the receivables, and the amount of doubtful debt expense or write-back of provision for trade receivables in the period in which such estimate has been changed. Based on the Target Group's assessment on the collectability of trade receivables, impairment provision of CAD39,868 and CAD592 was made as at 31 October 2011 and 2012 respectively and nil as at 31 October 2013 and 31 August 2014.

5 REVENUE AND SEGMENT INFORMATION

The Target Group business activities, for which discrete financial information is available, are regularly reviewed and evaluated by the director who is responsible for allocating resources, assessing performance of the operating segment and making strategic decisions. As a result of this evaluation, the Target Group determined that it has operating segments as follows:

– Contract work

– Game publishing

– Sales of merchandise goods

The director assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. The selling and marketing expenses and general and administrative expenses are not included in the measure of the segments' performance which is used by the director as a basis for the purpose of resource allocation and assessment of segment performance. Other income, other (losses)/gains, net and income tax expense are also not allocated to individual operating segments.

The revenue from external customers reported to the director are measured as segment revenue, which is the gross revenue derived from the customers in each segment. Cost of revenue primarily comprises merchant revenue share, salary and staff benefits, depreciation and amortisation, and others.

Other information, together with the segment information provided to the director, is measured in a manner consistent with that applied in this Financial Information. There were no separate segment assets and segment liabilities information provided by the director, as the director does not use this information to allocate resources to or evaluate the performance of the operating segments.

The segment information provided to the Target's director of the reportable segments for the Relevant Periods is as follows:

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
Contract work					
Segment revenue	15,112,830	13,449,793	9,662,889	9,407,812	89,535
Segment cost	(10,469,239)	(9,608,246)	(4,397,789)	(4,359,963)	–
Gross profit	4,643,591	3,841,547	5,265,100	5,047,849	89,535
Game publishing					
Segment revenue	–	–	17,666,711	12,816,348	52,510,154
Segment cost	–	–	(13,479,213)	(9,244,192)	(24,748,993)
Gross profit	–	–	4,187,498	3,572,156	27,761,161
Sales of merchandise goods					
Segment revenue	–	–	–	–	35,073
Segment cost	–	–	–	–	(28,488)
Gross profit	–	–	–	–	6,585

The reconciliation of gross profit to profit/(loss) before income tax of individual period during the Relevant Periods is shown in the consolidated statement of comprehensive income.

For game publishing, there is no concentration risk as the Target Group has a large number of players and there is no single players accounting for more than 10% of the Target Group's total revenue for the year ended 31 October 2013 and the ten months ended 31 August 2013 and 2014.

For contract work, details of the customers accounting for 10% or more of total revenue are as follows:

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
Customer A	N/A	2,268,616	5,339,369	5,339,369	N/A
Customer B	6,718,875	7,041,655	N/A	N/A	N/A
Customer C	5,484,182	3,266,654	N/A	N/A	N/A
Customer D	2,223,978	N/A	N/A	N/A	N/A

As of 31 October 2011, 2012 and 2013 and 31 August 2014, the Target Group's non-current assets other than deferred income tax were located in Canada and the United States of America.

6 OTHER INCOME

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Grant from MEDEI *(Note 17(iii))*	–	–	1,293,791	853,639	461,297

7 EXPENSES BY NATURE

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Auditor's remuneration	15,102	25,337	21,950	21,950	–
Cost of merchandise goods sold	–	–	–	–	28,488
Employee benefit expenses *(Note 9)*	9,491,954	11,212,118	12,965,271	10,393,874	11,698,856
Impairment of trade receivables	39,868	592	–	–	–
Merchant revenue share	–	–	3,750,862	2,592,894	13,209,806
Promotion and advertising expenses	28,301	104,553	1,737,119	1,553,444	3,054,434
Operating lease rentals in respect of office building	667,666	766,476	685,351	572,534	591,100
Distribution and selling expenses	–	–	461,562	288,661	619,352
Depreciation and amortisation expenses	537,166	678,794	605,436	403,624	534,111
Agent fees	769,767	465,796	474,665	474,665	–
Office expenses	259,028	261,945	259,844	218,223	378,263
Others	836,373	996,080	1,511,418	1,247,157	2,915,133
	12,645,225	14,511,691	22,473,478	17,767,026	33,029,543

8 OTHER (LOSSES)/GAINS, NET

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Exchange gain/(loss), net	118,183	(4,426)	131,749	182,901	(143,814)
Loss on disposal of property, plant and equipment	(96,534)	(19,661)	(25,279)	–	(788)
Loss on disposal of intangible assets	–	(11,711)	(25,866)	–	–
Gain on financial assets at fair value through profit or loss	–	–	–	–	75,487
Unrealised (loss)/gain on derivative financial instruments	(51,306)	21,498	16,180	21,141	17,718
	(29,657)	(14,300)	96,784	204,042	(51,397)

9 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Wages and salaries	10,536,174	13,122,207	15,364,628	12,725,281	15,254,751
Government grant from OMDC *(Note 27)*	(3,003,103)	(4,330,020)	(5,562,882)	(4,705,716)	(5,718,308)
Retirement costs – defined contribution plans	350,837	408,357	489,873	446,316	391,481
Employees' benefits	1,608,046	2,011,574	1,745,788	1,000,129	1,770,932
Share based payment expenses *(Note 23)*	–	–	927,864	927,864	–
	9,491,954	11,212,118	12,965,271	10,393,874	11,698,856

(a) Director's and senior management's emoluments

Director's emoluments for the years ended 31 October 2011, 2012 and 2013 and the ten months ended 31 August 2013 and 2014 are set out as follows:

Year ended 31 October 2011

Name of director	Fees	Salary, allowances and benefits	Retirement schemes contributions	Bonus	Total
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
Director					
Mr. James Schmalz	–	227,038	2,218	600,000	829,256

Year ended 31 October 2012

Name of director	Fees	Salary, allowances and benefits	Retirement schemes contributions	Bonus	Total
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
Director					
Mr. James Schmalz	–	226,643	2,307	1,035,500	1,264,450

Year ended 31 October 2013

Name of director	Fees	Salary, allowances and benefits	Retirement schemes contributions	Bonus	Total
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
Director					
Mr. James Schmalz	–	238,552	2,356	1,154,316	1,395,224

Ten months ended 31 August 2013 (unaudited)

Name of director	Fees	Salary, allowances and benefits	Retirement schemes contributions	Bonus	Total
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
Director					
Mr. James Schmalz	–	208,186	2,356	1,154,316	1,364,858

Ten months ended 31 August 2014

Name of director	Fees	Salary, allowances and benefits	Retirement schemes contributions	Bonus	Total
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
Director					
Mr. James Schmalz	–	188,000	2,425	902,000	1,092,425

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Target Group included 1 director for the years ended 31 October 2011, 2012, and 2013 and the ten months ended 31 August 2013 and 2014. His emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 4 individuals for the years ended 31 October 2011, 2012, and 2013 and the ten months ended 31 August 2013 and 2014 are as follows:

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
Salary, allowances and benefits	982,403	975,713	987,202	847,034	849,609
Retirement schemes contributions	11,088	11,534	11,781	11,781	12,128
Bonus	632,908	1,079,500	2,246,316	2,246,316	3,210,000
	1,626,399	2,066,747	3,245,299	3,105,131	4,071,737

The number of highest paid individuals whose emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
CAD100,001-CAD200,000	2	2	–	–	–
CAD200,001-CAD300,000	2	2	–	–	–
CAD300,001-CAD400,000	–	–	2	2	–
Over CAD400,000	–	–	2	2	4
	4	4	4	4	4

10 FINANCE INCOME/(COSTS) – NET

	Year ended 31 October			Ten months ended 31 August	
	2011	2012	2013	2013	2014
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
Finance income					
Interest income	63,683	40,708	58,362	51,125	99,984
Finance costs					
Interest expense *(Note 32)*	–	–	(152,055)	(71,914)	(232,035)
Finance income/(costs), net	63,683	40,708	(93,693)	(20,789)	(132,051)

11 INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 October			Ten months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Current income tax – Canadian corporate income tax	(361,259)	25,577	(1,297,817)	(1,159,366)	(5,395,467)
Deferred income tax *(Note 16)*	180,243	485,492	(358,609)	(319,659)	108,287
	(181,016)	511,069	(1,656,426)	(1,479,025)	(5,287,180)

The tax on the Target Group's profit/(loss) before income tax differs from the theoretical amount that would arise using the tax rate in London, Ontario, in which the Target Group's major operation is located, as follows:

	Year ended 31 October			Ten months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Profit/(loss) before income tax	2,501,631	(1,035,490)	6,153,004	5,494,026	19,883,068
Tax calculated at rates applicable to profits/ (losses) of the consolidated entities in the respective jurisdictions	752,991	(276,994)	1,630,546	1,455,917	5,269,013
Effect of tax concession	(476,835)	(218,596)	(51,423)	(51,423)	–
Expenses not deductible for tax purposes	15,129	25,751	77,303	74,531	18,167
Over-provision in prior year	(110,269)	(41,230)	–	–	–
Income tax expense/(credit)	181,016	(511,069)	1,656,426	1,479,025	5,287,180

(a) The Target Group is subject to income tax on an entity basis on profit arising in or derived from the jurisdictions in which the Target Group is domiciled and operates.

(b) Hong Kong profits tax has not been provided as the Target Group did not generate any assessable profits in Hong Kong for each of the years ended 31 October 2011, 2012 and 2013 and the ten months ended 31 August 2013 and 2014.

(c) Under the relevant income tax law in Canada, the Target Group is subject to corporate income tax at a statutory rate of 30.1%, 26.75%, 26.5%, 26.5% and 26.5% for the years ended 31 October 2011, 2012 and 2013 and the ten months ended 31 August 2013 and 2014 respectively on their respective taxable income. The change of statutory rate was subject to Canadian tax authority.

(d) The Target Group is subject to tax credit claim for small businesses and from Scientific Research and Experimental Development Investment which are credited to the consolidated statement of comprehensive income during the Relevant Periods in which they are incurred.

12 DIVIDEND

	Year ended 31 October			Ten months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
Final dividend	–	–	10,000,000	10,000,000	–

Pursuant to a resolution of the sole director on 11 July 2013, a dividend of CAD10,000,000 was declared to the equity owner. The dividend was fully paid in 20 May 2014.

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

13 RESERVES – TARGET

	Retained earnings *CAD*	Share based compensation reserve *CAD*	Total equity *CAD*
Balance at 1 November 2010	7,853,159	–	7,853,159
Comprehensive income			
Profit for the year	2,320,664	–	2,320,664
Total comprehensive income	2,320,664	–	2,320,664
Balance at 31 October 2011	10,173,823	–	10,173,823
Balance at 1 November 2011	10,173,823	–	10,173,823
Comprehensive loss			
Loss for the year	(524,483)	–	(524,483)
Total comprehensive loss	(524,483)	–	(524,483)
Balance at 31 October 2012	9,649,340	–	9,649,340
Balance at 1 November 2012	9,649,340	–	9,649,340
Comprehensive income			
Profit for the year	4,496,576	–	4,496,576
Total comprehensive income	4,496,576	–	4,496,576
Total contributions by and distributions to owners of the Target recognised directly in equity			
Dividend	(10,000,000)	–	(10,000,000)
Share based payment expenses *(Note 23)*	–	475,864	475,864
Total transactions with owners	(10,000,000)	475,864	(9,524,136)
Balance at 31 October 2013	4,145,916	475,864	4,621,780
Balance at 1 November 2013	4,145,916	475,864	4,621,780
Comprehensive income			
Profit for the period	14,612,769	–	14,612,769
Total comprehensive income	14,612,769	–	14,612,769
Balance at 31 August 2014	18,758,685	475,864	19,234,549

14 PROPERTY, PLANT AND EQUIPMENT

Target Group

	Furniture & fixtures *CAD*	Computer hardware *CAD*	Leasehold improvements *CAD*	Total *CAD*
At 1 November 2010				
Cost	216,177	756,528	239,068	1,211,773
Accumulated depreciation	(124,358)	(406,262)	(238,189)	(768,809)
Net book amount	91,819	350,266	879	442,964
Year ended 31 October 2011				
Opening net book amount	91,819	350,266	879	442,964
Additions	437,910	251,371	1,449,317	2,138,598
Disposals	(36,984)	(59,550)	–	(96,534)
Depreciation	(7,680)	(322,021)	(18,070)	(347,771)
Closing net book amount	485,065	220,066	1,432,126	2,137,257
At 31 October 2011				
Cost	515,661	737,059	1,449,318	2,702,038
Accumulated depreciation	(30,596)	(516,993)	(17,192)	(564,781)
Net book amount	485,065	220,066	1,432,126	2,137,257
Year ended 31 October 2012				
Opening net book amount	485,065	220,066	1,432,126	2,137,257
Additions	55,404	269,543	–	324,947
Disposals	(19,661)	–	–	(19,661)
Depreciation	(54,720)	(232,431)	(129,924)	(417,075)
Closing net book amount	466,088	257,178	1,302,202	2,025,468
At 31 October 2012				
Cost	534,957	888,162	1,449,318	2,872,437
Accumulated depreciation	(68,869)	(630,984)	(147,116)	(846,969)
Net book amount	466,088	257,178	1,302,202	2,025,468
Year ended 31 October 2013				
Opening net book amount	466,088	257,178	1,302,202	2,025,468
Additions	38,019	136,670	–	174,689
Government grant claimed against additions/cost *(Note 17 (iii))*	(2,874)	(36,942)	–	(39,816)
Disposals	(11,802)	–	(13,477)	(25,279)
Depreciation	(55,530)	(190,089)	(130,498)	(376,117)
Closing net book amount	433,901	166,817	1,158,227	1,758,945
At 31 October 2013				
Cost	550,507	895,872	1,437,987	2,884,366
Accumulated depreciation	(116,606)	(729,055)	(279,760)	(1,125,421)
Net book amount	433,901	166,817	1,158,227	1,758,945

	Furniture & fixtures *CAD*	Computer hardware *CAD*	Leasehold improvements *CAD*	Total *CAD*
Ten months ended 31 August 2013 (unaudited)				
Opening net book amount	466,088	257,178	1,302,202	2,025,468
Additions	37,147	102,049	–	139,196
Depreciation	(36,947)	(126,474)	(86,826)	(250,247)
Closing net book amount	466,288	232,753	1,215,376	1,914,417
At 31 August 2013 (unaudited)				
Cost	572,104	990,211	1,449,318	3,011,633
Accumulated depreciation	(105,816)	(757,458)	(233,942)	(1,097,216)
Net book amount	466,288	232,753	1,215,376	1,914,417
Ten months ended 31 August 2014				
Opening net book amount	433,901	166,817	1,158,227	1,758,945
Additions	44,714	730,016	5,898	780,628
Government grant claimed against additions/cost *(Note 17 (iii))*	(565)	(5,342)	–	(5,907)
Disposals	–	(788)	–	(788)
Depreciation	(47,269)	(306,656)	(108,537)	(462,462)
Exchange realignment	15	28	13	56
Closing net book amount	430,796	584,075	1,055,601	2,070,472
At 31 August 2014				
Cost	594,671	1,563,182	1,443,897	3,601,750
Accumulated depreciation	(163,875)	(979,107)	(388,296)	(1,531,278)
Net book amount	430,796	584,075	1,055,601	2,070,472

Target

	Furniture & fixtures *CAD*	Computer hardware *CAD*	Leasehold improvements *CAD*	Total *CAD*
At 1 November 2010				
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Cost	572,104	990,211	1,449,318	3,011,633
Accumulated depreciation	(105,816)	(757,458)	(233,942)	(1,097,216)
Net book amount	466,288	232,753	1,215,376	1,914,417
Ten months ended 31 August 2014				
Opening net book amount	433,901	166,817	1,158,227	1,758,945
Additions	38,081	718,096	–	756,177
Government grant claimed against additions/cost *(Note 17 (iii))*	(565)	(5,342)	–	(5,907)
Disposals	–	(788)	–	(788)
Depreciation	(47,269)	(306,656)	(108,537)	(462,462)
Closing net book amount	424,148	572,127	1,049,690	2,045,965
At 31 August 2014				
Cost	588,023	1,551,234	1,437,986	3,577,243
Accumulated depreciation	(163,875)	(979,107)	(388,296)	(1,531,278)
Net book amount	424,148	572,127	1,049,690	2,045,965

15 INTANGIBLE ASSETS – TARGET GROUP AND TARGET

	Computer software *CAD*
At 1 November 2010	
Cost	952,676
Accumulated amortisation	(883,620)
Net book amount	69,056
Year ended 31 October 2011	
Opening net book amount	69,056
Additions	291,973
Amortisation	(189,395)
Closing net book amount	171,634
At 31 October 2011	
Cost	819,987
Accumulated amortisation	(648,353)

	Computer software *CAD*
Net book amount	171,634
Year ended 31 October 2012	
Opening net book amount	171,634
Additions	299,169
Disposals	(11,711)
Amortisation	(261,719)
Closing net book amount	197,373
At 31 October 2012	
Cost	758,291
Accumulated amortisation	(560,918)
Net book amount	197,373
Year ended 31 October 2013	
Opening net book amount	197,373
Additions	132,609
Government grant claimed against additions/cost *(Note 17 (iii))*	(8,035)
Disposals	(25,866)
Amortisation	(229,319)
Closing net book amount	66,762
At 31 October 2013	
Cost	454,881
Accumulated amortisation	(388,119)
Net book amount	66,762
Ten months ended 31 August 2013 (unaudited)	
Opening net book amount	197,373
Additions	144,193
Amortisation	(153,377)
Closing net book amount	188,189
At 31 August 2013 (unaudited)	
Cost	902,484
Accumulated amortisation	(714,295)
Net book amount	188,189
Ten months ended 31 August 2014	
Opening net book amount	66,762
Additions	28,027
Government grant claimed against additions/cost *(Note 17 (iii))*	(5,134)
Amortisation	(71,649)

	Computer software *CAD*
Closing net book amount	18,006
At 31 August 2014	
Cost	442,520
Accumulated amortisation	(424,514)
Net book amount	18,006

16 DEFERRED INCOME TAX– TARGET GROUP AND TARGET

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same tax authority. The analysis of deferred income tax assets and liabilities after offsetting is as follows:

	Year ended 31 October			Ten months ended 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
Deferred income tax assets	422,078	1,001,788	596,495	623,612
Deferred income tax liabilities	(295,333)	(389,551)	(342,867)	(261,697)
Net deferred income tax assets	126,745	612,237	253,628	361,915

The movement on net deferred income tax account is as follows:

	Year ended 31 October			Ten months ended 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
At beginning of the year/ period	(53,498)	126,745	612,237	253,628
Credited/(charged) to the statements of comprehensive income *(Note 11)*	180,243	485,492	(358,609)	108,287
At ending of the year/period	126,745	612,237	253,628	361,915

The movements in deferred tax assets and liabilities during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	**Accrued expenses**
	CAD
At 1 November 2010	–
Credited to the statement of comprehensive income	422,078
At 31 October 2011	422,078
Credited to the statement of comprehensive income	579,710
At 31 October 2012	1,001,788
Charged to the statement of comprehensive income	(405,293)
At 31 October 2013	596,495
Credited to the statement of comprehensive income	27,117
At 31 August 2014	623,612

Deferred income tax liabilities	Accelerated depreciation on properties, plant and equipment *CAD*
At 1 November 2010	53,498
Charged to the statement of comprehensive income	241,835
At 31 October 2011	295,333
Charged to the statement of comprehensive income	94,218
At 31 October 2012	389,551
Credited to the statement of comprehensive income	(46,684)
At 31 October 2013	342,867
Credited to the statement of comprehensive income	(81,170)
At 31 August 2014	261,697

17 TRADE AND OTHER RECEIVABLES

Target Group

	As at 31 October			As at 31 August
	2011 *CAD*	**2012** *CAD*	**2013** *CAD*	**2014** *CAD*
Trade receivables *(Note (i))*	2,157,661	855,532	1,405,055	4,090,680
Loan receivables *(Note (ii))*	–	–	–	647,580
Prepayments	73,314	15,296	162,360	139,124
Accrued grant receivable from MEDEI *(Note (iii))*	–	–	539,229	158,623
Commodity tax receivable	97,591	87,606	35,292	31,872
Others	721,760	438,952	131,328	2,191,244
	3,050,326	1,397,386	2,273,264	7,259,123

Target

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
Trade receivables *(Note (i))*	2,157,661	855,532	1,405,055	4,090,680
Loan receivables *(Note (ii))*	–	–	–	647,580
Prepayments	73,314	15,296	162,360	139,124
Accrued grant receivable from MEDEI *(Note (iii))*	–	–	539,229	158,623
Commodity tax receivable	97,591	87,606	35,292	31,872
Others	721,647	438,839	131,215	2,130,941
	3,050,213	1,397,273	2,273,151	7,198,820

The ageing analysis of trade receivables of the Target Group and the Target based on the time of the initial recognition of receivables is as follows:

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
1 – 30 days	2,157,161	26,952	1,379,182	2,415,760
31 – 60 days	–	828,580	24,130	1,593,978
61 – 90 days	–	–	1,616	15,499
Over 90 days	500	–	127	65,443
	2,157,661	855,532	1,405,055	4,090,680

The maximum exposure to credit risk at each balance sheet date is the carrying amount of each class of receivable mentioned above.

Notes:

(i) Trade receivables are mainly denominated in USD and their carrying amounts approximated their fair values as at the balance sheet date.

The Target Group has established different credit policies for customers. The general credit periods granted to customers are 30 days.

As at 31 October 2011 and 2012, trade receivables of CAD39,868 and CAD592 were impaired respectively. As at 31 October 2012, 2013 and 31 August 2014, trade receivables of approximately CAD828,000 CAD29,000 and CAD1,578,000 were past due but not impaired respectively. These relate to certain customers with no history of credit default and they are in continuous business relationships with the Target Group. Based on past experience, management believes that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

The aging analysis of these trade receivables based on due date is as follows:

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
1 – 30 days	–	828,580	23,065	1,510,603
31 – 60 days	–	–	6,092	14,644
61 – 90 days	–	–	127	21,047
Over 90 days	–	–	–	32,007
	–	828,580	29,284	1,578,301

(ii) The loan receivables from an independent company are unsecured, repayable in two tranches of USD300,000 on 30 June 2015 and 28 Aug 2015 respectively. These receivable bear interest at 2% per month after the first four months.

(iii) The grant represents funding from MEDEI for the development of 3D computer software. As at 31 October 2011, the Target received a CAD500,000 advance related to grant from MEDEI as described in Note 25. Grant from MEDEI based on the actual disbursements incurred for the development of 3D computer software will be received after the Target has satisfied the criteria specified in the grant agreement. The disbursements incurred for the development of 3D computer software were not capitalised due to the short development period. This grant, including any future disbursements up to the maximum of CAD2,500,000, is repayable in full if the project progress, spending or employment level targets and covenants are not met. At 31 October 2011 and 2012, the advance received was deferred until such time when the Target first received the claim from MEDEI. The first claim from MEDEI was received in February 2013. After receiving the first claim, the Target recognises the grant on an accrual basis upon the expenditures for the development of the 3D computer software being incurred.

The movement of accrued grant receivable from MEDEI during the Relevant Periods is as follows:

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Opening balance	–	–	–	539,229
Credited to other income *(Note 6)*	–	–	1,293,791	461,297
Credited to cost of property, plant and equipment *(Note 14)*	–	–	39,816	5,907
Credited to cost of intangible assets *(Note 15)*	–	–	8,035	5,134
Utilisation of deferred funding *(Note 25)*	–	–	(500,000)	–
Cash received from MEDEI	–	–	(302,413)	(852,944)
Closing balance	–	–	539,229	158,623

18 INVENTORIES-TARGET GROUP AND TARGET

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Merchandise held for sale	–	–	37,352	68,174

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Carrying amount of merchandise sold	–	–	–	28,488

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS – TARGET GROUP AND TARGET

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Listed equity securities in Canada	–	–	–	546,485

The financial assets at fair value through profit or loss as at 31 August 2014 represented the listed investments in Canada and were denominated in CAD.

Changes in fair values of financial assets at fair value through profit or loss for the ten months ended 31 August 2014 are recorded in 'other (losses)/gains, net' in the consolidated statement of comprehensive income.

The fair value of all equity securities is based on their current bid prices in an active market.

20 CASH AND CASH EQUIVALENTS

Target Group

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Cash and bank balances	2,714,259	1,721,669	5,940,519	10,097,434

Target

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Cash and bank balances	2,713,846	1,721,294	5,940,142	9,994,641

The fair value of the Target Group's and the Target's term deposits approximate the carrying amounts of deposits.

The above balances are denominated in currencies as follows:

Target Group

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
CAD	1,900,698	411,145	2,982,662	6,868,339
USD	813,561	1,310,524	2,350,114	1,508,452
Euros ("EUR")	–	–	523,077	1,462,263
Others	–	–	84,666	258,380
	2,714,259	1,721,669	5,940,519	10,097,434

Target

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
CAD	1,900,285	410,770	2,982,285	6,868,121
USD	813,561	1,310,524	2,350,114	1,405,877
EUR	–	–	523,077	1,462,263
Others	–	–	84,666	258,380
	2,713,846	1,721,294	5,940,142	9,994,641

21 SHARE CAPITAL – TARGET GROUP AND TARGET

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
Authorised				
Unlimited common shares, voting				
Unlimited class B special shares, 6% non-cumulative, redemption value of $1,500 per share				
Unlimited class A common shares, voting				
Unlimited class B common shares, voting				
Unlimited class C common shares, voting				
Unlimited class D common shares, voting				
Issued				
10,000,000 common shares, voting	100	100	–	–
10,000 class B special shares *(Note 22)*	–	–	100	100
13,400,000 class A common shares, voting	–	–	134	134
1,400,000 class B common shares, voting	–	–	14	14
2,020,000 class C common shares, voting	–	–	20	20
3,180,000 class D common shares, voting	–	–	32	32
	100	100	300	300

On 12 July 2013, the Target entered into a share exchange agreement with 2375249 Ontario Ltd pursuant to which the Target issued 10,000 class B special shares to Mr. James Schmalz for CAD100. As a closing condition to the share exchange agreement, the Target repurchased 10,000,000 common shares previously held by 2375249 Ontario Ltd which is wholly owned by Mr. James Schmalz, one of the founders of the Target. The repurchased common shares were cancelled immediately and the share capital of the Target was reduced by CAD100.

On the same date, the Target established unlimited number of class A common shares, class B common shares, class C common shares and class D common shares which are collectively known as Common Shares. All classes of Common Shares are ranked pari passu.

On the date of establishment of the Common Shares, Mr. James Schmalz, Mr. Michael Schmalz, Mr. Steve Sinclair and Digital Extremes Share Ownership Trust acquired 13,400,000 class A common shares, 1,400,000 class B common shares, 2,020,000 class C common shares and 3,180,000 class D common shares in the Target for a cash consideration of CAD134, CAD14, CAD20 and CAD32 respectively. The shares were subsequently transferred to 2375249 Ontario Ltd, 2375250 Ontario Ltd, 2377289 Ontario Ltd which are wholly owned by Mr. James Schmalz, Mr. Michael Schmalz and Mr. Steve Sinclair respectively.

The director of the Target appointed an independent valuer to estimate the fair value of the Target as at the date of change in shareholder structure. The fair value of the Target was determined using discounted cash flow method.

The key assumptions used in the valuation of the Target include projections of future performance and assumptions set out in the table below:

	12 July 2013
Minority discount	23.3%
Long-term growth rate	3%
Discount rate	18.8%

The fair value of the Target as at 12 July 2013 is CAD15,000,000 which equals to the fair value of the class B special shares issued to Mr. James Schmalz. As a result, the fair value shared by class A common shares, class B common shares, class C common shares and class D common shares issued on 12 July 2013 is zero.

22 CLASS B SPECIAL SHARES – TARGET GROUP AND TARGET

The key terms of the class B special shares are summarised as follows:

(a) Dividend rights

The holder of the class B special shares is entitled to receive, as and when declared by the directors from time to time, non-cumulative annual dividends not to exceed 6% of the Class B Redemption amount out of moneys of the Target properly applicable to the payment of dividends. It is acknowledged that the director may declare and pay dividends on the class B special shares to the exclusion of the other class of shares.

(b) Voting rights

The holder of the class B special shares is not entitled to receive notice of or to attend any meeting of the shareholders of the Target or to vote at any such meeting.

(c) Redemption feature

The redemption amount of the class B special shares is CAD1,500 per share. No holder of the class B special shares is entitled to redeem such shares without prior consent of the Board.

(d) Liquidation preference

In the event of the liquidation, dissolution or winding up of the Target, whether voluntary or involuntary, or any other distribution of the assets of the Target among its shareholders for the purpose of winding up its affairs, the holder of the class B special shares is entitled to receive the class B redemption amount before any distribution of any assets of the Target to the holders of any class of shares of the Target. Upon full payment of the class B redemption amount, the class B special shares is not entitled to participate further in the distribution of assets of the Target.

According to the terms of the class B special shares, the distribution of dividends is at the discretion of the Board and the board of directors' consent is required for the redemption of the class B special shares. Therefore, the class B special shares have been accounted for as equity.

23 SHARE-BASED PAYMENT AND EMPLOYEE TRUST – TARGET GROUP AND TARGET

(a) Share-based award to two employees

On 12 July 2013, Mr. Michael Schmalz and Mr. Steve Sinclair were awarded 1,400,000 class B common shares and 2,020,000 class C common shares of the Target at a consideration of CAD14 and CAD20 respectively for their past contributions made to the business development of the Target Group. As there was no future service conditions attached to the award, the share-based awards were vested immediately. The share award expenses related to Mr. Michael Schmalz and Mr. Steve Sinclair were accounted for as employee benefit expenses. As disclosed in Note 21, since the fair value of the shares awarded to Mr. Michael Schmalz and Mr. Steve Sinclair is zero which is less than their subscription cost, no employee benefit expenses are recognised.

(b) Employee trust

Digital Extremes Share Ownership Trust (the "Employee Trust") was set up in 12 July 2013 to hold the class D Common Shares for the benefit of the beneficiaries and to distribute such income and capital to the beneficiaries in accordance with the Employee Trust Deed and the pro rata share of Trust Units held by the beneficiaries.

Under the Employee Trust, the beneficiaries are only entitled to the distribution of income in the trust but not the shares held by the Trust. Any Trust Units granted to a beneficiary under the employee trust shall expire and terminate immediately upon such beneficiary ceasing to be an employee of the Target. As a result, the dividend paid to the employee trust should be accounted for as cash settlement of employee benefit expenses in the consolidated statement of comprehensive income as and when they are declared. For the year ended 31 October 2013 and the ten months ended 31 August 2014, no dividend was paid to the beneficiaries and no employee benefit expenses were recognised in the consolidated statement of comprehensive income.

(c) Share options

In 2007, the director of the Target approved the establishment of a share option scheme with the objective to recognise and regard the contribution of eligible employees to the Target Group and development of the Target Group.

The exercise price in respect of any option is fixed at CAD1 per common share. The contractual life of all options under the scheme is 7 years from the grant date.

The vesting of the share options is subject to a change in control of the Target and the options may be exercised provided that the Target's shares are listed on a recognised stock exchange. Since the vesting date is considered to be undeterminable, no compensation expense has been recognised in the consolidated statement of comprehensive income.

Movement in the number of outstanding share options is as follows:

	Number of share options
As 1 November 2010	4,155,000
Granted	923,000
Forfeited	(145,000)
As 31 October 2011	4,933,000
Forfeited	(55,000)
As 31 October 2012	4,878,000
Forfeited	(358,000)
Cancelled	(4,520,000)
As 31 October 2013 and 31 August 2014	–

On 12 July 2013, as part of the change in shareholder structure of the Target, the share option scheme was terminated and all of the outstanding share options were cancelled. A cash-settled compensation of CAD452,000 recognised as wages and salaries in the statement of comprehensive income was paid to the employees for the cancellation of the share option and the share options scheme was replaced by the Employee Trust.

The director of the Target appointed an independent valuer to estimate the fair value of the share options as of the termination date. The fair value of the share options was determined using Binominal model. The fair value of the share options cancelled was CAD927,864 at the termination date.

Since the fair value of the share options cancelled is more than the fair value of the shares held by the employee trust, an accelerated recognition of the fair value of the share options cancelled of CAD475,864 which represents the difference between CAD927,864 and the cash settlement amount of CAD452,000, was recognised as share based compensation reserve for the year ended 31 October 2013.

24 TRADE AND OTHER PAYABLES

Target Group

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
Trade payables *(Note a)*	353,250	153,409	454,315	694,043
Other payables and accruals	1,010,748	1,265,925	1,393,908	1,329,930
	1,363,998	1,419,334	1,848,223	2,023,973

Target

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
Trade payables *(Note a)*	353,250	153,409	454,315	694,043
Other payables and accruals	984,680	1,239,857	1,367,840	1,293,017
	1,337,930	1,393,266	1,822,155	1,987,060

Notes:

(a) The ageing analysis of the trade payables of the Target Group and Target based on invoice date is as follows:

Target Group and Target

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
0 – 30 days	163,911	144,278	362,310	681,061
31 – 60 days	187,368	–	150	3,852
61 – 90 days	–	–	8,720	–
Over 90 days	1,971	9,131	83,135	9,130
	353,250	153,409	454,315	694,043

25 DEFERRED CREDITS AND OTHER LIABILITIES – TARGET GROUP AND TARGET

	As at 31 October			As at 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
Current deferred credits and other liabilities				
Deferred funding *(Note 17 (iii))*	500,000	500,000	–	–
Deferred revenue	263,555	64,992	1,470,918	2,525,938
Deferred lease inducements	119,360	195,135	195,135	195,135
	882,915	760,127	1,666,053	2,721,073
Non-current deferred credits and other liabilities				
Deferred lease inducements	1,317,745	1,691,176	1,496,041	1,333,428

As at 31 October 2011 and 2012, deferred revenue represented contract payments that were recognised over the terms of their respective contracts. As at 31 October 2013 and 31 August 2014, as the Target moved toward a free-to-play revenue model, deferred revenue comprised receipt from sale of virtual currency through their online game that is being recognised through profit and loss over the average estimated paying player life.

Deferred lease inducements represent the unamortised value of inducements received from the Target's landlord for its new office lease, which commenced on 1 July 2011. The deferred lease inducements are being amortised over the term of the lease. The current portion of deferred lease inducements refers to the value of the free rent to be amortised over the next 12 months from the date of the consolidated statement of financial position.

26 DERIVATIVE FINANCIAL INSTRUMENTS – TARGET GROUP AND TARGET

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Asset				
Foreign exchange forward contracts	–	–	–	12,757

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Liability				
Foreign exchange forward contracts	42,639	21,141	4,961	–

Changes in fair values of derivative financial instruments are recorded in 'other (losses)/gains, net' in the consolidated statement of comprehensive income. The total notional principal amounts of the outstanding foreign exchange forward contracts are as follows:

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Sell USD buy CAD	3,816,505	9,929,700	6,177,478	5,211,840

27 GOVERNMENT GRANT RECEIVABLE

Target Group and Target

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Ontario Interactive Digital Media grant	5,885,103	7,968,682	10,093,233	11,499,120

The Ontario Interactive Digital Media Tax Credit (OIDMTC) is a government grant from OMDC based on eligible Ontario labour expenditures and eligible marketing and distribution expenses claimed by the Target Group with respect to interactive digital media products.

The movement of government grant receivable from OMDC during the Relevant Periods is as follows:

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Opening balance	5,087,287	5,885,103	7,968,682	10,093,233
Credited to employee benefit expenses *(Note 9)*	3,003,103	4,330,020	5,562,882	5,718,308
Cash received from OMDC	(2,205,287)	(2,246,441)	(3,438,331)	(4,312,421)
Closing balance	5,885,103	7,968,682	10,093,233	11,499,120

28 INVESTMENT IN SUBSIDIARIES – TARGET

	As at 31 October			As at 31 August
	2011	2012	2013	2014
	CAD	*CAD*	*CAD*	*CAD*
Unlisted shares, at cost *(Note a and Note b)*	100	–	–	109

(a) Details of the principal subsidiaries as at 31 October 2011, 2012 and 2013 and 31 August 2014 are set out below:

Name of the company	Date of incorporation/ establishment	Place of incorporation and kind of legal entity	Principal activities and place of operation	Issued and paid-up share capital				Proportion of ownership interest			
				As at 31 October			As at 31 August	As at 31 October			As at 31 August
				2011	2012	2013	2014	2011	2012	2013	2014
				CAD	*CAD*	*CAD*	*CAD*				
Brainbox Games Inc.	30 April 2003	Canada, limited liability company	Dormant	100	100	100	100	100%	100%	100%	100%
Digital Extremes US, Inc.	6 May 2014	California, limited liability company	Marketing support activities	–	–	–	109 (US$100 equivalent)	–	–	–	100%

(b) The investment cost of a subsidiary of CAD100 was written off during the year ended 31 October 2012.

29 CASH GENERATED FROM/(USED IN) OPERATIONS

Reconciliation of profit before income tax to cash generated from/(used in) operations is set out as below:

	Year ended 31 October			Ten months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Profit/(loss) before income tax	2,501,631	(1,035,490)	6,153,004	5,494,026	19,883,068
Adjustments for:					
– Depreciation *(Note 14)*	347,771	417,075	376,117	250,247	462,462
– Amortisation *(Note 15)*	189,395	261,719	229,319	153,377	71,649
– Amortisation of lease inducement	–	(117,133)	(195,135)	(85,314)	(162,613)
– Loss on disposal of property, plant and equipment	96,534	19,661	25,279	–	788
– Loss on disposal of intangible assets	–	11,711	25,866	–	–
– Impairment of trade receivables	39,868	592	–	–	–
– Interest income *(Note 10)*	(63,683)	(40,708)	(58,362)	(51,125)	(99,984)
– Provision for Government grant income from OMDC	(3,003,103)	(4,330,020)	(5,562,882)	(4,705,716)	(5,718,308)
– Share based payment expenses	–	–	475,864	475,864	–
– Gain on financial assets at fair value through profit or loss	–	–	–	–	(75,487)
– Unrealised loss/(gain) on derivative financial instruments	51,306	(21,498)	(16,180)	(21,141)	(17,718)
Changes in working capital	159,719	(4,834,091)	1,452,890	1,510,218	14,343,857
– Inventories	–	–	(37,352)	–	(30,822)
– Trade and other receivables	(2,226,655)	1,652,348	(875,878)	228,552	(4,338,418)
– Loan receivables	–	–	–	–	(647,580)
– Trade and other payables	762,418	55,336	428,889	47,872	175,750
– Deferred credits and other liabilities	1,838,114	367,776	905,926	675,404	1,055,020
Cash generated from/(used in) operations	533,596	(2,758,631)	1,874,475	2,462,046	10,557,807

In the consolidated statements of cash flows, proceeds from sale of property, plant and equipment and intangible assets comprise:

	Year ended 31 October			Ten months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD* (Unaudited)	*CAD*
Net book amount	96,534	31,372	51,145	–	788
Loss on disposal of property, plant and equipment and intangible assets	(96,534)	(31,372)	(51,145)	–	(788)
Proceeds from disposal of property, plant and equipment and intangible assets	–	–	–	–	–

30 FINANCIAL INSTRUMENTS BY CATEGORY

Target Group

	Loans and receivables *CAD*	Financial assets at fair value through profit or loss *CAD*	Total *CAD*
Assets included in the balance sheet			
At 31 October 2011			
Trade and other receivables excluding prepayments	2,976,999	–	2,976,999
Amount due from a shareholder	608,887	–	608,887
Cash and cash equivalents	2,714,259	–	2,714,259
Total	6,300,145	–	6,300,145
At 31 October 2012			
Trade and other receivables excluding prepayments	1,382,077	–	1,382,077
Amount due from a shareholder	136,289	–	136,289
Cash and cash equivalents	1,721,669	–	1,721,669
Total	3,240,035	–	3,240,035
At 31 October 2013			
Trade and other receivables excluding prepayments	2,110,891	–	2,110,891
Amount due from a shareholder	455,276	–	455,276
Cash and cash equivalents	5,940,519	–	5,940,519
Total	8,506,686	–	8,506,686
At 31 August 2014			
Derivative financial instruments	–	12,757	12,757
Trade and other receivables excluding prepayments	7,119,986	–	7,119,986
Financial assets at fair value through profit or loss	–	546,485	546,485
Cash and cash equivalents	10,097,434	–	10,097,434
Total	17,217,420	559,242	17,776,662

	Financial liabilities at amortised cost *CAD*	Financial liabilities at fair value through profit or loss *CAD*	Total *CAD*
Liabilities included in the balance sheet			
At 31 October 2011			
Trade and other payables excluding non-financial liabilities	897,446	–	897,446
Derivative financial instruments	–	42,639	42,639
Total	897,446	42,639	940,085
At 31 October 2012			
Trade and other payables excluding non-financial liabilities	731,509	–	731,509
Derivative financial instruments	–	21,141	21,141
Total	731,509	21,141	752,650
At 31 October 2013			
Trade and other payables excluding non-financial liabilities	1,190,346	–	1,190,346
Derivative financial instruments	–	4,961	4,961
Loan from the ultimate holding company	10,000,000	–	10,000,000
Total	11,190,346	4,961	11,195,307
At 31 August 2014			
Trade and other payables excluding non-financial liabilities	1,199,271	–	1,199,271

Target

	Loans and receivables *CAD*	Financial assets at fair value through profit or loss *CAD*	Total *CAD*
Assets included in the balance sheet			
At 31 October 2011			
Trade and other receivables excluding prepayments	2,976,899	–	2,976,899
Amount due from a shareholder	608,887	–	608,887
Cash and cash equivalents	2,713,846	–	2,713,846
Total	6,299,632	–	6,299,632
At 31 October 2012			
Trade and other receivables excluding prepayments	1,381,977	–	1,381,977
Amount due from a shareholder	136,289	–	136,289
Cash and cash equivalents	1,721,294	–	1,721,294
Total	3,239,560	–	3,239,560
At 31 October 2013			
Trade and other receivables excluding prepayments	2,110,791	–	2,110,791
Amount due from a shareholder	455,276	–	455,276
Cash and cash equivalents	5,940,142	–	5,940,142
Total	8,506,209	–	8,506,209
At 31 August 2014			
Derivative financial instruments	–	12,757	12,757
Trade and other receivables excluding prepayments	7,059,696	–	7,059,696
Financial assets at fair value through profit or loss	–	546,485	546,485
Cash and cash equivalents	9,994,641	–	9,994,641
Total	17,054,337	559,242	17,613,579

	Financial liabilities at amortised cost *CAD*	Financial liabilities at fair value through profit or loss *CAD*	Total *CAD*
Liabilities included in the balance sheet			
At 31 October 2011			
Trade and other payables excluding non-financial liabilities	871,378	–	871,378
Derivative financial instruments	–	42,639	42,639
Total	871,378	42,639	914,017
At 31 October 2012			
Trade and other payables excluding non-financial liabilities	705,441	–	705,441
Derivative financial instruments	–	21,141	21,141
Total	705,441	21,141	726,582
At 31 October 2013			
Trade and other payables excluding non-financial liabilities	1,164,278	–	1,164,278
Derivative financial instruments	–	4,961	4,961
Loan from the ultimate holding company	10,000,000	–	10,000,000
Total	11,164,278	4,961	11,169,239
At 31 August 2014			
Trade and other payables excluding non-financial liabilities	1,162,371	–	1,162,371

31 COMMITMENTS-TARGET GROUP AND TARGET

(a) Operating lease commitments – the Target as the lessee

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As at 31 October			As at 31 August
	2011 *CAD*	2012 *CAD*	2013 *CAD*	2014 *CAD*
Land and buildings:				
Not later than 1 year	278,031	834,094	834,094	834,094
Later than 1 year and not later than 5 years	3,336,376	4,205,144	3,241,430	2,523,580
Over 5 years	1,974,425	–	–	–
	5,588,832	5,039,238	4,075,524	3,357,674

32 RELATED PARTY TRANSACTIONS

The Target is controlled by 2375249 Ontario Ltd. which owns 67% of the Target's common shares. The remaining 33% of the shares are held by 2375250 Ontario Ltd., 2377289 Ontario Ltd. and Digital Extremes Employee Share Trust. The ultimate controlling party of the Target is Mr. James Schmalz.

(a) Transaction with a related party

During the Relevant Periods, the Target had the following significant transaction with a related party:

(i) Interest expenses paid to a related party

	Year ended 31 October			Ten months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
2375249 Ontario Ltd.	–	–	(152,055)	(71,914)	(232,035)

(b) Balances with related parties

(i) Amount due from a shareholder – Target Group and Target

	Year ended 31 October			Ten months ended 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
James Schmalz	608,887	136,289	455,276	–

(ii) Loan from the ultimate holding company – Target Group and Target

	Year ended 31 October			Ten months ended 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
2375249 Ontario Ltd.	–	–	10,000,000	–

(iii) Amount due from a subsidiary – Target

	Year ended 31 October			Ten months ended 31 August
	2011	**2012**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*
Digital Extremes US, Inc.	–	–	–	193,084

The amount due from a shareholder is unsecured, interest-free and repayable on demand. The loan from the ultimate holding company is unsecured, repayable on demand and bearing interest at the Canadian bank's prescribed rate plus 2% p.a. The amount was fully settled in May 2014.

(c) Key management compensation

Remuneration for key management personnel of the Target, including amounts paid to the Target's directors as disclosed in Note 9(a), is as follows:

	Year ended 31 October			Ten months ended 31 August	
	2011	**2012**	**2013**	**2013**	**2014**
	CAD	*CAD*	*CAD*	*CAD*	*CAD*
				(Unaudited)	
Basic salaries and allowances	2,455,655	3,331,197	4,640,523	4,469,989	5,164,162

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target or any of the companies now comprising the Target Group in respect of any period subsequent to 31 August 2014 and up to the date of this report. No dividend or distribution has been declared or made by the Target or any of the companies comprising the Target Group in respect of any period subsequent to 31 August 2014.

Yours faithfully,
PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The following is an illustrative and unaudited pro forma consolidated balance sheet of the Enlarged Group ("Unaudited Pro Forma Financial Information"), which have been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the following proposed transactions of the Company's acquisition of 58% equity interest in Digital Extremes Ltd. ("Digital Extremes") (the "Transaction"), contemplated under the sale and purchase agreement (the "SPA") dated 14 October 2014 entered into amongst the Company, the Vendors, the Vendors Guarantors and Digital Extremes, as if the Transaction had taken place on 30 June 2014.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Company and its subsidiaries (collectively the "Group") as set out in the published interim report of the Group for the six months ended 30 June 2014.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial positions of the Enlarged Group had the Transaction been completed as at 30 June 2014, where applicable, or any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with other financial information included elsewhere in this circular.

(I) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

			Pro forma adjustment for the Transaction			
	Unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2014	**Audited consolidated balance sheet of Digital Extremes as at 31 August 2014**	**Audited consolidated balance sheet of Digital Extremes as at 31 August 2014**	**Other adjustments**		**Unaudited pro forma balance sheet of the Enlarged Group**
	HK$'000	*C$*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
ASSETS						
Non-current assets						
Property, plant and equipment	431,534	2,070,472	14,473			446,007
Investment property	1,187	–	–			1,187
Biological assets	14,617	–	–			14,617
Intangible assets	–	18,006	126		526,651	526,777
Goodwill	–	–	–		257,746	257,746
Prepaid lease payments	64,121	–	–			64,121
Prepayment for prepaid lease payments	22,693	–	–			22,693
Deferred tax assets	5,422	361,915	2,530			7,952
	539,574	2,450,393	17,129			1,341,100

			Pro forma adjustment for the Transaction			
	Unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2014	**Audited consolidated balance sheet of Digital Extremes as at 31 August 2014**	**Audited consolidated balance sheet of Digital Extremes as at 31 August 2014**	**Other adjustments**		**Unaudited pro forma balance sheet of the Enlarged Group**
	HK$'000	*C$*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
Current assets						
Inventories	121,795	68,174	477			122,272
Biological assets	10,358	–	–			10,358
Government grant receivable	–	11,499,120	80,379			80,379
Trade receivables	52,610	6,375,712	44,566			97,176
Deposits paid, prepayments and other receivables	136,813	883,411	6,175			142,988
Prepaid lease payments	1,635	–	–			1,635
Derivative financial instrument	–	12,757	89			89
Financial assets at fair value through profit or loss	86,988	546,485	3,820			90,808
Cash and bank balances	58,930	10,097,434	70,581	(35,631)		93,880
	469,129	29,483,093	206,087			639,585
Total assets	1,008,703	31,933,486	223,216			1,980,685

			Pro forma adjustment for the Transaction			
	Unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2014	Audited consolidated balance sheet of Digital Extremes as at 31 August 2014	Audited consolidated balance sheet of Digital Extremes as at 31 August 2014	Other adjustments		Unaudited pro forma balance sheet of the Enlarged Group
	HK$'000	*C$*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 2)*	*(Note 3)*	*(Note 4)*	
EQUITY						
Share capital	210,914	300	2		(2)	210,914
Reserves	413,872	19,192,046	134,152	(35,631)	(98,521)	413,872
Equity attributable to owners of the Company	624,786	19,192,346	134,154			624,786
Non-controlling interests	17,954	–	–		203,957	221,911
Total equity	642,740	19,192,346	134,154			846,697
LIABILITIES						
Non-current liabilities						
Deferred credits and other liabilities	–	1,333,428	9,321			9,321
Deferred revenue	21,005	–	–			21,005
Deferred tax liabilities	–	–	–		139,563	139,563
	21,005	1,333,428	9,321			169,889
Current liabilities						
Trade payables	65,546	694,043	4,851			70,397
Accruals, deposits received and other payables	56,392	1,329,930	9,298			65,690
Payable to sellers	–	–	–		539,400	539,400
Deferred credits and other liabilities	–	2,721,073	19,020			19,020
Income tax payable	–	6,662,666	46,572			46,572
Bank borrowings	223,020	–	–			223,020
	344,958	11,407,712	79,741			964,099
Total liabilities	365,963	12,741,140	89,062			1,133,988
Total equity and liabilities	1,008,703	31,933,486	223,216			1,980,685

Notes to the Unaudited Pro Forma Financial Information of the Enlarged Group:

1. The unadjusted unaudited consolidated balance sheet of the Group as at 30 June 2014 was extracted from the published interim report of the Group for the six months ended 30 June 2014.

2. The balance sheet of Digital Extremes as at 31 August 2014 was extracted from the accountant's report of Digital Extremes as set out in Appendix II to this circular. The statement of assets and liabilities of Digital Extremes as at 31 August 2014 was extracted from the accountant's' report for of Digital Extremes as set out in Appendix II to this circular, which are converted from presentation currency of CAD to HK$ at the rate of HK$: CAD at 6.99.

3. The adjustment represents the dividend of HK$35.6 million contemplated to be distributed by Digital Extremes in the situations where (i) the cash balance of Digital Extremes at the closing date exceeds C$5 million; (ii) the aggregate trade receivables of Digital Extremes exceed the aggregate trade payables as at the closing date; and (iii) the outstanding principal amount of US$600,000 of the loan to N-Space, Inc. (the "N-Space Loan") has been unconditionally and irrevocably repaid by N-Space. It is one of the conditions precedent for the Transaction that the cash and bank balances held by Digital Extremes shall not be less than C$5,000,000 (HK$35.0 million at exchange rate of HK$: C$ at 6.99) after distributing the dividend.

   Since the cash balance, trade receivables, trade payables and the N-Space Loan of Digital Extremes at the actual completion date may be substantially different from the amounts used in the preparation of this Unaudited Pro Forma Financial Information, the final amount of the dividend to be recognised in connection with the Transaction may be different from the amount presented here and the difference may be significant.

4. Upon completion of the Transaction, the Company will indirectly own 58% equity interest in Digital Extremes. The identifiable assets and liabilities of Digital Extremes will be accounted for in the consolidated financial statements of the Company at their fair value under the acquisition method of accounting in accordance with Hong Kong Financial Reporting Standard ("HKFRS") No. 3 "Business Combination".

   (a) This adjustment represents the recognition of the excess of the fair value of identifiable assets acquired, and the liabilities assumed over the book value of the assets and the liabilities in Digital Extremes. The fair value of identifiable assets acquired and liabilities assumed in Digital Extremes is determined in accordance HKFRS No. 3, "Business Combination". For the purpose of the Unaudited Pro Forma Financial Information, the Directors have assessed the fair values of the identifiable assets and liabilities of Digital Extremes as at 31 August 2014 by taking reference of the valuation report as at 31 August 2014 dated 27 November 2014 (the "Valuation Report") carried out by Grant Sherman Appraisal Limited.

   (b) Amount represents the goodwill arising from the acquisition of Digital Extremes. Pursuant to the SPA, the consideration for acquisition of 58% equity interest in Digital Extremes amounted to approximately US$69.6 million (equivalent to approximately HK$539.4 million).

   Goodwill of approximately HK$257.7 million will be derived from the difference between the consideration of approximately HK$539.4 million and the fair value of assets and liabilities of Digital Extremes attributable to the equity holders of the Company (i.e. net of non-controlling interest) as at 31 August 2014 of approximately HK$281.7 million.

   The fair value of the assets and liabilities of Digital Extremes as at 31 August 2014 was mainly contributed by intangible assets including game engine and game publishing of approximately HK$55.3 million and HK$471.3 million respectively.

   Since the fair values of the consideration and the assets and liabilities of Digital Extremes at the actual completion date may substantially different from the fair values used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the identifiable net assets (including intangible assets) and goodwill to be recognised in connection with the Transaction may be different from the amounts presented here and the differences may be

significant. The Directors have assessed whether there is any indication of impairment in respect of property, plant and equipment, intangible assets and goodwill with reference to Hong Kong Accounting Standard 36 "Impairment of Assets".

The Directors are of the view that Digital Extremes is a growing business with an increasing trend of profit track record (as shown in the accountant's report) over the last three years and ten months. In addition, the directors consider that there are no significant changes with an adverse effect on Digital Extremes that will take place in the near future. Based on the above assessment, the directors consider that there is no indication of impairment in the value of property, plant and equipment, intangible assets and goodwill for the purpose of this Unaudited Pro Forma Financial Information.

(c) The Directors expect that the consideration of US$69.6 million (equivalent to approximately HK$539.4 million) will be financed by the proceeds from equity fund raising exercise. However, as at the Latest Practicable Date, the Company (i) has not made any concrete agreement and arrangement in relation to equity fund raising; and (ii) has not made any share placement with any potential investors. Therefore, for the purpose of preparing the Unaudited Pro Forma Financial Information of the Enlarged Group, it is assumed that a current liability will be recognised to reflect the consideration of US$69.9 million (equivalent to approximately HK$539.4 million) as a payable to the sellers, and consequently no pro forma adjustments in respect of the transaction costs related to equity financing have been included.

5. Apart from the Transaction, no other adjustments have been made to the Unaudited Pro Forma Financial Information of the Enlarged Group to reflect any trading results or other transactions entered into by the Group subsequent to 30 June 2014, or Digital Extremes Group subsequent to 31 August 2014.

6. Pursuant to the Acquisition Agreement and Side Agreement, if Perfect Online Holding Limited fails to proceed with the closing of the acquisition their respective 3% equity interest in Digital Extremes or in the event certain events contemplated in the Side Agreement materialize, Multi Dynamic Games shall have the right or be obliged to proceed with the Potential Acquisition to acquire the Potential Remaining Sale Shares, representing 3% equity interest in Digital Extremes, to proceed with the purchase of any or all of the Sale Shares of Digital Extremes, i.e. 61% equity interest in Digital Extremes. For the purpose of preparing this Unaudited Pro Forma Financial Information, assuming that Perfect Online Holding Limited fails to proceed with the Closing of the acquisition of their respective 3% equity interest in Digital Extremes or the certain events contemplated in the Side Agreement materialize, which the Company either exercises its right or is obliged to purchase 61% equity interest in Digital Extremes, the consideration will be US$73.2 million and as a result the goodwill recognised and non-controlling interest will be HK$271.1 million and HK$189.4 million respectively.

The Directors have assessed whether there is any indication of impairment in respect of the goodwill with reference to Hong Kong Accounting Standard 36 "Impairment of Assets" for the 61% equity interest in Digital Extremes. Based on the Directors' assessment, the Directors consider that there is no indication of impairment on the goodwill.

INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A CIRCULAR

TO THE DIRECTORS OF SUMPO FOOD HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Sumpo Food Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), and Digital Extremes Ltd. and its subsidiaries (the "Digital Extremes Group") (collectively the "Enlarged Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated balance sheet as at 30 June 2014 and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages III-1 to III-5 of the Company's circular dated 23 December 2014, in connection with the proposed acquisition of the Digital Extremes Group (the "Transaction") by the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages III-1 to III-5.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Transaction on the Group's financial position as at 30 June 2014 as if the Transaction had taken place at 30 June 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited interim consolidated financial statements for the six months ended 30 June 2014, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus", issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and

performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of unaudited pro forma financial information included in a circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Transaction at 30 June 2014 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;

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

(c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23 December 2014

MANAGEMENT DISCUSSION AND ANALYSIS ON DIGITAL EXTREMES

Set out below is the management discussion and analysis on Digital Extremes for the three years ended 31 October 2011, 2012, 2013 and ten months ended 31 August 2014.

Operating results

Digital Extremes is a next-generation studio developing ground-breaking Free-to-Play, AAA-quality multiplatform video games.

Revenue

For the year ended 31 October 2011, the revenue of Digital Extremes amounted to approximately C$15.1 million. Such revenue was attributable to the development of retail games, primarily via work-for-hire projects with large independent third party publishers. The main work-for-hire projects which contributed to the revenue of Digital Extremes during the year ended 31 October 2011 included Star Trek, The Darkness 2 and Homefront.

For the year ended 31 October 2012, the revenue of Digital Extremes amounted to approximately C$13.5 million, representing a decrease of approximately C$1.6 million or 11.0% compared to the year ended 31 October 2011, which the revenue of Digital Extremes for the year ended 31 October 2011 amounted to approximately C$15.1 million. Prior to 2013, Digital Extremes' revenue was largely generated through developing retail games, primarily via work-for-hire projects with large independent third party publishers, such as Paramount, 2K Games, and Microsoft. Such decrease in revenue in 2012 was mainly as a result of certain work-for-hire projects, such as Darkness 2, finishing only in late October 2011 and early December 2012. In addition, a portion of Digital Extremes' employees had been devoted to the development of Warframe during 2012, which did not begin generating revenue until the 2013 financial year.

For the year ended 31 October 2013, the revenue of Digital Extremes amounted to approximately C$27.3 million, representing an increase of approximately C$13.9 million or 103.2% compared to the year ended 31 October 2012. Such increase was mainly attributable to the successful launch of the beta version of Digital Extremes' own multiplayer Free-to-Play online action game, Warframe, in the PC market in March 2013, which gained immediate recognition and success in the market, being the key contributor to the significant increase in Digital Extremes' revenue in 2013. Digital Extremes' revenue from Warframe is primarily generated from the sale of virtual currencies and virtual goods to its players. For the year ended 31 October 2013, Digital Extremes' revenue from Warframe contributed to approximately 64.6% of its total revenue. The remaining portion of revenue for the year ended 31 October 2013 was mainly contributed by Digital Extreme's work-for-hire projects carried over from prior year.

For the period ended 31 August 2014, the revenue of Digital Extremes amounted to approximately C$52.6 million, representing an increase of approximately C$30.4 million or 136.8% compared to the period ended 31 August 2013. Such increase was partly contributed by the introduction of Warframe to the console market (specifically the Sony PS4 platform) in November 2013, and due to the increase in number of average monthly paying users.

Cost of sales

For the year ended 31 October 2011, the cost of sales of Digital Extremes amounted to approximately C$10.5 million. This represented costs which were directly attributable to the development of retail games via Digital Extremes' work-for-hire projects, which mainly consisted of components such as employee salary and benefit expenses, agent fees and office rent.

For the year ended 31 October 2012, the cost of sales of Digital Extremes amounted to approximately C$9.6 million, representing a decrease of approximately C$0.9 million or 8.2% compared to the year ended 31 October 2011, which the cost of sales of Digital Extremes for the year ended 31 October 2011 amounted to approximately C$10.5 million. Such decrease was mainly due to the decrease in the portion of employee salary and benefit expenses attributable to cost of sales during the year, being largely in line with the reduction in revenue for the year ended 31 October 2012.

For the year ended 31 October 2013, the cost of sales of Digital Extremes amounted to approximately C$17.9 million, representing an increase of approximately C$8.3 million or 86.1% compared to the year ended 31 October 2012. Such increase was mainly attributable to the shift from work-for-hire projects to the Free-to-Play model, which resulted in additional revenue sharing costs with online distributors. This change is largely in line with the increase in revenue for the year ended 31 October 2013.

For the period ended 31 August 2014, the cost of sales of Digital Extremes amounted to approximately C$24.8 million, representing an increase of approximately C$11.2 million or 82.1% compared to the period ended 31 August 2013. Such increase was mainly attributable to the shift from work-for-hire projects to the Free-to-Play model, which resulted in additional revenue sharing costs with online distributors. This change is in line with the increase in revenue for the period ended 31 August 2014.

Gross profit

The gross profit of Digital Extremes amounted to approximately C$4.6 million, C$3.8 million, $9.5 million and C$27.9 million, representing gross profit margins of approximately 30.7%, 28.6%, 34.6% and 52.9% for the three years ended 31 October 2011, 2012, 2013 and for the period ended 31 August 2014, respectively. Such increasing trend in the gross profit margin of Digital Extremes for the year ended 31 October 2013 and the period ended 31 August 2014 was largely attributable to the growth in revenue exceeding the growth in expenses directly attributable to Warframe, which was partly offset by the increase in revenue sharing costs with online distributors. The relatively lower gross profit margins for

the year ended 31 October 2011 and 2012 were due to the lower amount of revenues generated from Digital Extremes' prior work-for-hire projects, as Warframe did not begin to generate revenue until the 2013 financial year.

Other income

For the year ended 31 October 2013 and for the period ended 31 August 2014, other income amounted to approximately C$1.3 million and C$0.5 million respectively. Such other income represented government grants from the Ministry of Economic Development Employment and Infrastructure. Please refer to the section headed "Government incentive programs" for details of Digital Extremes' government incentive programs, as set out on page IV-8 of this circular. There was no other income recorded for the years ended 31 October 2011 and 2012.

Selling and marketing expenses

For the year ended 31 October 2011, selling and marketing expenses of Digital Extremes amounted to approximately C$552k. This mainly represented costs associated with promoting the Evolution Engine as a licensable game engine to third party developers.

For the year ended 31 October 2012, selling and marketing expenses of Digital Extremes amounted to approximately C$589k, representing a slight increase of approximately C$37k or 6.7% compared to the year ended 31 October 2011, which the selling and marketing expenses of Digital Extremes for the year ended 31 October 2011 amounted to approximately C$552k. The increase was mainly attributable to the initial promotional and marketing activities leading up to the closed beta launch of Warframe in December 2012.

For the year ended 31 October 2013, selling and marketing expenses of Digital Extremes amounted to approximately C$2.9 million, representing an increase of approximately C$2.3 million or 387.4% compared to the year ended 31 October 2012. Such increase was mainly attributable to the substantial increase in promotional expenses, which included the costs of advertising campaigns to encourage players to play Warframe, which were incurred following the launch of Warframe in March 2013.

For the period ended 31 August 2014, selling and marketing expenses of Digital Extremes amounted to approximately C$5 million, representing an increase of approximately C$2.3 million or 86.6% compared to the period ended 31 August 2013. Such increase was mainly attributable to the increase in promotional expenses, which included the costs of advertising campaigns to continue attracting new players.

General and administrative expenses

For the year ended 31 October 2011, general and administrative expense of Digital Extremes amounted to approximately C$1.6 million. This mainly represented administrative staff salary and benefit expenses.

For the year ended 31 October 2012, general and administrative expenses of Digital Extremes amounted to approximately C$4.3 million, representing an increase of approximately C$2.7 million or 165.7% compared to the year ended 31 October 2011, which the general and administrative expenses of Digital Extremes for the year ended 31 October 2011 amounted to approximately C$1.6 million. The significant increase was mainly due an increase in costs focused around research and development efforts for Warframe.

For the year ended 31 October 2013, general and administrative expenses of Digital Extremes amounted to approximately C$1.7 million, representing a decrease of approximately C$2.6 million or 60% compared to the year ended 31 October 2012. Such decrease was mainly attributable to the decrease in research and development efforts following Warframe's launch in the PC market in March 2013.

For the period ended 31 August 2014, general and administrative expenses of Digital Extremes amounted to approximately C$3.3 million, representing an increase of approximately C$1.8 million or 119.1% compared to the period ended 31 August 2013. Such increase was mainly attributable to the increase in research and development efforts as a result of Digital Extremes' development of another self-owned Free-to-Play game.

Other gains and losses

Digital Extremes recorded net other gains of approximately C$96.8k for the year ended 31 October 2013 and recorded net other losses of approximately C$30k, C$14.3k and C$51.4k for the years ended 31 October 2011, 2012 and for the period ended 31 August 2014. The net other gains and losses of Digital Extremes mainly represented exchange gains or losses offset by loss on disposal of property, plant and equipment. For the three years ended 31 October 2013 and the period ended 31 August 2014, Digital Extremes recorded exchange gains/(loss) of approximately C$118k, C$(4.4)k, C$132k and C$(144)k, respectively; and recorded loss on disposal of property, plant and equipment of approximately C$97k, C$20k, C$25k and C$0.8k, respectively.

Finance cost

For the year ended 31 October 2013 and for the period ended 31 August 2014, finance costs of Digital Extremes amounted to approximately C$152k and C$232k respectively. Such finance costs were attributable to the loan from ultimate holding company amounting to C$10 million made on 12 July 2013 at an interest rate of prime plus two percent per annum. There was no finance cost recorded for the year ended 31 October 2011 and 2012.

Income tax expense

Income tax expense of Digital Extremes amounted to approximately C$181k, C$1.7 million and C$5.3 million for the years ended 31 October 2011 and 2013 and for the period ended 31 August 2014, respectively. Digital Extremes recorded a tax credit of approximately C$511k for the year ended 31 October 2012. Income tax expense of Digital Extremes consists of corporate income tax in Canada, which is determined based on the current federal and provincial statutory corporate income tax rates for each respective year.

Net profit

For the year ended 31 October 2011, net profit of Digital Extremes amounted to approximately C$2.3 million, which was contributed by revenue from Digital Extremes' development of retail games via work-for-hire projects, such as Star Trek, Darkness 2 and Homefont, amounting to approximately C$15.1 million, offset by the corresponding cost of sales, expenses and income tax.

For the year ended 31 October 2012, net loss of Digital Extremes amounted to approximately C$524k million, representing a decrease of approximately C$2.8 million or 122.6% compared to the year ended 31 October 2011, which the net profit of Digital Extremes for the year ended 31 October 2011 amounted to approximately C$2.3 million. The decrease was largely due to the combined effect from the reduction of sales of approximately C$1.7 million and the increase in general and administrative expenses of approximately C$2.7 million, which was offset by the reduction in cost of sales and income tax expense.

For the year ended 31 October 2013, net profit of Digital Extremes amounted to approximately C$4.5 million, representing an increase of approximately C$5.0 million or 957.4% compared to the year ended 31 October 2012. Such significant increase was mainly attributable to the increase in revenue of approximately C$13.9 million due to the introduction of Warframe in March 2013, which was offset by the corresponding increase in cost of sales of approximately C$8.3 million.

For the period ended 31 August 2014, net profit of Digital Extremes amounted to approximately C$14.6 million, representing an increase of approximately C$10.6 million or 263.5% compared to the period ended 31 August 2013. Such increase was mainly attributable to the increase in revenues for the period.

Treasury Policies

Digital Extremes generally financed its operations with internally generated resources and equity and/or debt financing activities. All financing methods will be considered so long as such methods are suitable and beneficial to Digital Extremes. Cash and bank deposits of Digital Extremes are denominated in C$, US$, EUR, GBP and JPY.

Liquidity and financial resources

As at 31 October 2011, the cash and cash equivalents of Digital Extremes amounted to approximately C$2.7 million. Net cash generated from operating activities amounted to approximately C$3.3 million and net cash used in investing activities amounted to approximately C$2.9 million for the year ended 31 October 2011. No cash was generated or used in financing activities for the year ended 31 October 2011.

As at 31 October 2012, the cash and cash equivalents of Digital Extremes amounted to approximately C$1.7 million, which represented a decrease of approximately C$1.0 million or 36.6% as compared to approximately C$2.7 million as at 31 October 2011. This was mainly attributable to increased spending on general and administrative activities of approximately C$2.7 million during the year ended 31 October 2012.

As at 31 October 2013, the cash and cash equivalents of Digital Extremes amounted to approximately C$5.9 million, which represented an increase of approximately C$4.2 million or 245.0% as compared to approximately C$1.7 million as at 31 October 2012. Such increase was mainly due to increased revenues of approximately C$13.9 million for the period, which was offset by the corresponding increase in cost of sales of approximately C$8.3 million.

As at 31 August 2014, the cash and cash equivalents of Digital Extremes amounted to approximately C$10.1 million, which represented an increase of approximately C$4.2 million or 70.0% as compared to approximately C$5.9 million as at 31 October 2013.

The carrying amounts of cash and cash equivalents of Digital Extremes are denominated in C$, US$, EUR, GBP and JPY.

Commitments

As at 31 October 2011, 2012, 2013 and 31 August 2014, Digital Extremes had no capital commitments.

As at 31 October 2011, 2012, 2013 and 31 August 2014, the operating lease commitments of Digital Extremes amounted to approximately C$9.1 million, C$8.8 million, C$8.0 million and C$12 million.

Capital structure

As at 31 October 2011, 2012, 2013 and 31 August 2014, the total liabilities of Digital Extremes amounted to approximately C$4.5 million, C$4.4 million, C$16.3 million and C$12.7 million, respectively, and the total equity attributable to owners of Digital Extremes amounted to approximately C$10.1 million, C$9.6 million, C$4.6 million and C$19.2 million, respectively. The gearing ratio (total liabilities divided by total equity) was approximately 44.6%, 45.8%, 354.3% and 66.1% as at 31 October 2011, 2012, 2013 and 31 August 2014, respectively.

Digital Extremes had no bank loans as at 31 October 2011, 2012, 2013 and 31 August 2014. The loan from the ultimate holding company amounted to C$10 million as at 31 October 2013, of which C$8 million was settled on 10 April 2014 and the remaining C$2 million on 22 May 2014.

Segment Information

The operation of Digital Extremes represents a single operating and reportable segment, which is the development of video games. As such, there is no segment information available for the three years ended 31 October 2011, 2012, 2013 and for the period ended 31 August 2014.

Employees and remuneration policies

As at 31 October 2011, 2012, 2013 and 31 August 2014, Digital Extremes had a total of 165, 200, 175 and 197 employees, respectively. Remuneration for employees is determined in accordance with performance, professional experiences and the prevailing market conditions. Management of Digital Extremes reviews Digital Extremes' employee remuneration policy and arrangement on a regular basis. Total staff costs of Digital Extremes for the years ended 31 October 2011, 2012, 2013 and for the period ended 31 August 2014 amounted to approximately C$9 million, C$11.2 million, C$12.5 million and C$11.7 million, respectively.

Contingent liabilities

As at 31 October 2011, 2012, 2013 and 31 August 2014, Digital Extremes did not have any contingent liabilities.

Foreign exchange exposure

Digital Extremes' revenue is mainly denominated in US$, whereas its operating costs and expenses are mainly denominated in C$. Digital Extremes currently does not hedge transactions undertaken in foreign currencies but manages its exposure through constant monitoring to limit as much as possible the amount of its foreign currency exposures. For the three years ended 31 October 2013 and the period ended 31 August 2014, Digital Extremes recorded exchange gains/(loss) of approximately C$118k, C$(4.4)k, C$132k and C$(144)k, respectively.

Material acquisition, disposals, significant investment and future plans of material investments

As at 31 October 2011, 2012, 2013 and 31 August 2014, Digital Extremes did not have material acquisition, disposals, significant investment and future plans of material investments.

Pledge of assets

As at 31 October 2011, 2012, 2013 and 31 August 2014, Digital Extremes did not have any pledge of assets.

Government incentive programs

Digital Extremes currently participates in two government incentive programs and is entitled to (i) certain Ontario Interactive Digital Media Tax Credits ("**OIDMTC**") from the from Ontario Media Development Corporation ("**OMDC**") and (ii) grant from Ministry of Economic Development, Employment and Infrastructure ("**MEDEI**").

In respect of the OIDMTC, these are tax credits for scientific research and development activities and are meant to subsidize Digital Extremes' digital media content creation, based on Digital Extremes' eligible Ontario labour expenditures. Tax credits from OMDC are reflected as reduction in expenditures. For the three years ended 31 October 2013 and ten months ended 31 August 2014, Digital Extremes recognized tax credits from OMDC as part of a reduction in employee benefit expenses, amounting to approximately C$3.0 million, C$4.3 million, C$5.6 million and C$5.7 million, respectively. As at 31 August 2014, as disclosed on page II-52 of this circular, the amounts receivable from OMDC amounted to approximately C$11.5 million, of which it is expected that C$5.6 million of this will be received in the second quarter of 2015, and the remainder to be received in the second quarter of 2016.

In respect of the grant from MEDEI, this grant is part of MEDEI's Strategic Jobs and Investment Fund. The fund is a discretionary grant and loan program designed to support leading-edge investments and jobs in Ontario, which the MEDEI grant reimburses Digital Extremes for research and development activities around its game engine, the "Evolution Engine". The primary purpose of this grant for Digital Extremes is to develop and refine its Evolution Engine, which Digital Extremes' investment in the Evolution Engine is intended to reduce the cost of game development by automating certain programming functions which allow continuous testing, editing efficiencies and test-driven code development etc., all of which will help reduce development time and increase the quality of Digital Extremes current and future games. The MEDEI program allows for certain expenses beyond labour expenditures, such as capital and intangible asset purchases and recruitment costs etc. Digital Extremes has recognized government grants from MEDEI, as part of other income, amounting to approximately C$1.3 million and C$0.5 million for the year ended 31 October 2013 and the period ended 31 August 2014.

The tax credits and grant income amounts from the OMDC and MEDEI program are calculated based on certain expenses relating to the development of Digital Extremes' digital media products and Evolution Engine, which have been incurred by Digital Extremes and subsequently approved by the OMDC or MEDEI under the respective programs. Digital Extremes has no history of repaying any of the tax credits or grants received from OMDC and MEDEI, and does not expect to make any repayment to OMDC and MEDEI.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests in the Company

As at the Latest Practicable Date, none of the Directors and the chief executives of the Company had any interests or short positions in any Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as contained in the Listing Rules.

(b) Substantial Shareholders' interests in the Company

As at the Latest Practicable Date, the following persons (not being a Director or chief executive of the Company) or corporations had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in Shares and underlying Shares of the Company

Name of Shareholder	Capacity of Interest	No. of Shares held	Approximate percentage of issued share capital of the Company
Taiping Quantum Strategic Fund	Beneficial owner	284,000,000	14.26%
Lai Aizhong	Beneficial owner	200,000,000	10.04%

Save as disclosed above, as at the Latest Practicable Date, none of the Directors nor the chief executive of the Company was aware of any other person (not being a Director or chief executive of the Company) or corporation who had an interest or short position in the Shares or underlying Shares which are required to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

(c) Directors' interests in assets, contracts or arrangements

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2013, being the date to which the latest published audited accounts of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

(d) Competing interests

As at the Latest Practicable Date, the Directors were not aware that any of them had interests in any business which competes or was likely to compete, either directly or indirectly, with the businesses of the Group.

(e) Directors' service contracts

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with the Company or any of its subsidiaries which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

3. LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries has received notice of any litigation or arbitration proceedings pending or threatened against the Company or any of the subsidiaries of the Company.

4. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Enlarged Group within two years preceding the Latest Practicable Date and are or may be material:

(a) the Acquisition Agreement;

(b) the Side Agreement;

(c) a placing agreement entered into between the Company and Kingston Securities Limited dated 17 April 2014 in relation to a placing of 332,000,000 new Shares by Kingston Securities Limited, pursuant to which the Company raised net proceeds of approximately HK$63.2 million;

(d) an amendment agreement dated 30 October 2013 entered into by and among all the parties to the Original Shareholder Agreement pursuant to which the Original Shareholder Agreement (as defined below) was amended;

(e) a share exchange agreement dated 12 July 2013 entered into between Digital Extremes Ltd. and 2375249 Ontario Ltd.;

(f) a shareholder agreement dated 12 July 2013 entered into by and among Digital Extremes, 2375249 Ontario Ltd., James Schmalz, 2375250 Ontario Ltd., Michael Schmalz, 2377289 Ontario Ltd., Steven Sinclair, and DE Employee Trust (the "**Original Shareholder Agreement**");

(g) a loan agreement dated 12 July 2013 entered into by and among Digital Extremes, 2375249 Ontario Ltd., 2375250 Ontario Ltd. and 2377289 Ontario Ltd. (the "**Shareholder Loan Agreement**");

(h) a general security agreement dated 12 July 2013 executed by Digital Extremes in relation to the Shareholder Loan Agreement.

5. EXPERTS AND CONSENTS

The following are the qualifications of the experts who had given opinions or advice, which are contained or referred to in this circular:

Name	Qualifications
PricewaterhouseCoopers	Certified Public Accounts

PricewaterhouseCoopers have given and have not withdrawn their respective written consents to the issue of this circular with the inclusion of their letters and references to their name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have 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.

As at the Latest Practicable Date, PricewaterhouseCoopers did not have any direct or indirect interest in any assets which have been, since 31 December 2013, being the date to which the latest published audited accounts of the Group were made up, acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group.

6. GENERAL

(a) The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is Suite 1020-22, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong.

(c) The Company's branch share registrar and transfer office in Hong Kong is at Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(d) The company secretary of the Company is Ms. Huen Lai Chun, who is an associate member of both of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in United Kingdom, and also a fellow member of The Association of Chartered Certified Accountants.

(e) This circular is prepared in both English and Chinese. In the event of inconsistency, the English text shall prevail.

7. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours on a Business Day at the principal place of business of the Company in Hong Kong at Suite 1020-22, 10th Floor, Two Pacific Place, 88 Queensway, Hong Kong from the date of this circular up to and including the date of the EGM:

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

(b) the material contracts referred to in the paragraph headed "Material Contracts" in this appendix;

(c) the accountants' report on Digital Extremes, the text of which is set out in Appendix II of this circular;

(d) the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix III of this circular;

(e) the written consents referred to in the paragraph headed "Experts and Consents" in this appendix;

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

(g) the interim report of the Company for the six months ended 30 June 2014; and

(h) this circular.

SUMPO FOOD HOLDINGS LIMITED

森寶食品控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1089)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**EGM**") of Sumpo Food Holdings Limited (the "**Company**") will be held at Empire Hotel, 33 Hennessy Road, Wan Chai, Hong Kong on 27 January 2015 at 2:00 p.m., to consider and, if thought fit, pass the following ordinary resolution (with or without modifications) and special resolution:

ORDINARY RESOLUTION

1. "**THAT**

   (a) the Acquisition Agreement (as defined in the circular of the Company dated 23 December 2014, (the "**Circular**"), a copy of which has been produced to the meeting marked "A" and initialed by the Chairman of the meeting for the purpose of identification) and the transactions contemplated thereunder including, without limitation, the Acquisition, the Potential Acquisition, the Side Agreement and the New Shareholders' Agreement (as such terms are defined in the Circular) be and are hereby approved, confirmed and ratified; and

   (b) any director of the Company ("**Director**") be and is hereby authorised to sign or execute such other documents or agreements or deeds or take such action, do such things, as such director may in his sole opinion consider necessary or desirable for the purpose of implementing or giving effect to the Acquisition Agreement and completing the transactions contemplated thereunder, including, without limitation, the Acquisition, the Potential Acquisition, the Side Agreement and the New Shareholders' Agreement with such changes as such Director may in his sole discretion consider necessary, desirable or expedient."

SPECIAL RESOLUTION

1. "**THAT** subject to and conditional upon the approval of the Registrar of Companies in the Cayman Islands being obtained, the English name of the Company be changed from "Sumpo Food Holdings Limited" to "Leyou Technologies Holdings Limited", and the dual foreign name of the Company be changed from "森寶食品控股有限公司" to "樂遊科技控股有限公司" (the "**Proposed**

Change of Company Name"), and that any one or more of the directors of the Company be and is/are hereby authorised to do all such acts and things and execute all such documents as he/she/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Proposed Change of Company Name and to attend to any necessary registration and/or filing for and on behalf of the Company."

By order of the board of directors of
Sumpo Food Holdings Limited
Yeung Chun Wai, Anthony
Vice Chairman

Hong Kong, 23 December 2014

Notes:

1. A member of the Company who is a holder of two or more Shares, and who is entitled to attend and vote at the EGM is entitled to appoint more than one proxy to attend and vote in his stead. A proxy need not be a member of the Company. Completion and return of the form of proxy will not preclude a member of the Company from attending and voting in person at the EGM and any adjournment thereof. In such event, his form of proxy will be deemed to have been revoked.

2. A form of proxy for the EGM is enclosed with the Company's circular dated 23 December 2014. In order to be valid, the form of proxy duly completed and signed in accordance with the instructions printed on the form together with a valid power of attorney or other authority, if any, under which it is signed, or a certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, 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 of such meeting.

3. The Hong Kong branch register of members of the Company will be closed from 23 January 2015 to 27 January 2015 (both dates inclusive), for the purposes of determining the entitlements of the members of the Company to attend and vote at the EGM. No transfers of Shares may be registered during the said period. In order to qualify to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 22 January 2015.

As at the date of this notice, the board of directors of the Company comprises Mr. Lin Qinglin, Mr. Yeung Chun Wai, Anthony, Ms. Wai Ching Sum, Mr. Wu Shiming and Mr. Yin Shouhong as executive directors, and Mr. Hu Chung Ming, Mr. Chau On Ta Yuen and Mr. Wei Ji Min as independent non-executive directors.