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 you should take, you should consult your licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Aurum Pacific (China) Group Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser or the transferee or to the bank manager, licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

AURUM PACIFIC (CHINA) GROUP LIMITED
奧栢中國集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTEREST IN FIRST SURPLUS INVESTMENTS LIMITED INVOLVING THE ISSUE OF THE PROMISSORY NOTE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

AMASSE CAPITAL
寶 積 資 本

Capitalised terms used in this cover shall have the same meanings as defined in this circular.

A notice convening the EGM to be held at 12:00 noon on Wednesday, 12 October 2016 at 9/F., Gloucester Tower, The Landmark, Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

This circular will remain on the "Latest Company Announcement" page of the website of the GEM at www.hkgem.com for a minimum period of 7 days from the date of its publication and on the website of the Company at www.aurumpacific.com.hk.

24 September 2016

CHARACTERISTICS OF GEM

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

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

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

"Acquisition"	the acquisition of the Sale Shares pursuant to the Agreement
"Agreement"	the agreement dated 8 August 2016 entered into between the Purchaser, the Vendors and the Guarantor in relation to the Acquisition
"associates"	has the meaning ascribed to it under the GEM Listing Rules
"Board"	the board of Directors
"Business Day(s)"	a day (other than a Saturday, Sunday or public holiday in Hong Kong) on which licensed banks are generally open for business in Hong Kong
"BVI"	British Virgin Islands
"Company" or "Guarantor"	Aurum Pacific (China) Group Limited (stock code: 8148), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
"Completion"	the completion of the Acquisition
"Completion Date"	the third Business Day after the date which the conditions precedents to the Agreement are fulfilled or such other date as the Vendors and the Purchaser may agree
"connected person(s)"	has the meaning ascribed to it under the GEM Listing Rules
"Consideration"	the total consideration for the Acquisition, being HK$150 million
"controlling shareholder"	has the meaning ascribed to it under the GEM Listing Rules
"Director(s)"	director(s) of the Company

"EGM"	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve the Agreement and the transactions contemplated thereunder
"Enlarged Group"	the Group as enlarged by the Target Group upon Completion
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	the Rules Governing the Listing of Securities on the GEM
"Group"	the Company and its subsidiaries
"HKFRS"	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Independent Third Party(ies)"	party(ies) which are not connected persons of the Company and are independent of and not connected with the Company and its connected persons
"Latest Practicable Date"	21 September 2016, being the latest practicable date for ascertaining certain information referred to in this circular prior to printing of this circular
"Long Stop Date"	30 December 2016, or such other date as the Purchaser and the Vendors may agree in writing
"Mooff Games"	Mooff Games Limited, a company incorporated in Hong Kong with limited liability, and owned as to 73.4% by the Target Company
"PRC"	the People's Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administration Region of the PRC and Taiwan

"Promissory Note(s)"	the promissory note(s) in the aggregate principal amount of HK$110 million to be issued by the Guarantor to the Vendors (or their nominee(s)) pursuant to the Agreement
"Purchaser"	Hyper Venture Limited, a wholly-owned subsidiary of the Company, being the purchaser to the Acquisition
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Shares"	an aggregate of 60% of the total issued share capital of the Target Company
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
"Share(s)"	ordinary share(s) of HK$0.04 each in the share capital of the Company as at the Latest Practicable Date
"Shareholder(s)"	holder(s) of Share(s)
"Side Quest"	Side Quest Limited, a company incorporated in Hong Kong with limited liability, and owned as to 85% by the Target Company
"Smart City"	Smart City Technology Limited, a company incorporated in Hong Kong with limited liability, being a direct wholly-owned subsidiary of the Target Company
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"substantial shareholders"	has the meaning ascribed to it under the GEM Listing Rules
"Target Company"	First Surplus Investments Limited, a company incorporated in the BVI with limited liability
"Target Group"	the Target Company and its subsidiaries namely Twins Box, Top Banana, Mooff Games, Side Quest and Smart City

"Top Banana"	Top Banana Limited, a company incorporated in Hong Kong with limited liability, being an indirect wholly-owned subsidiary of the Target Company
"Twins Box"	Twins Box Holdings Limited, a company incorporated in the BVI with limited liability, being a direct wholly-owned subsidiary of the Target Company
"Vendor A"	Mr. Yiu Wing Hei
"Vendor B"	Triumph Team Ventures Limited, a company incorporated in the BVI with limited liability
"Vendors"	Vendor A and Vendor B
"%"	per cent.

AURUM PACIFIC (CHINA) GROUP LIMITED
奧 栢 中 國 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8148)

Executive Directors:
CHAN Wai Kit
HUNG Tat Chi Alan
MUI Yuk Wah
WONG Chi Yan

Independent non-executive Directors:
LEUNG Man Chun
FOK Kin Fung Eric
LEE Nim Wai

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

Head office and principal place of business in Hong Kong:
22/F., Hua Fu Commercial Building
111 Queen's Road West
Hong Kong

24 September 2016

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF 60% EQUITY INTEREST IN FIRST SURPLUS INVESTMENTS LIMITED INVOLVING THE ISSUE OF THE PROMISSORY NOTE AND NOTICE OF EXTRAORDINARY GENERAL MEETING

The purpose of this circular is to provide you with, among other things, (i) the details of the Acquisition; (ii) the financial information of the Group and the Target Group; (iii) the pro forma financial information of the Enlarged Group; (iv) the valuation report of the Target Group; and (v) the notice of the EGM.

INTRODUCTION

Reference is made to the announcement of the Company dated 8 August 2016 in relation to the Acquisition. On 8 August 2016 (after trading hours), the Purchaser, the Vendors and the Guarantor entered into the Agreement, pursuant to which the Purchaser conditionally agreed to purchase and the Vendors conditionally agreed to sell the Sale Shares, representing an aggregate of 60% of the issued share capital in the Target Company. The Consideration payable by the Purchaser to the Vendors pursuant to the Agreement is HK$150 million and will be payable as to (i) HK$40 million in cash; and (ii) HK$110 million by issuance of the Promissory Note.

THE AGREEMENT

Date

8 August 2016 (after trading hours)

Parties

(i) the Vendors;

(ii) the Purchaser; and

(iii) the Guarantor.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, Vendor A and Vendor B and its ultimate beneficial owner(s) are Independent Third Parties.

Assets to be acquired

The Sale Shares, representing an aggregate of 60% of the issued share capital of the Target Company, of which 10% interest is owned by Vendor A and 50% interest is owned by Vendor B.

Consideration

Pursuant to the Agreement, the Consideration payable by the Purchaser shall be HK$150 million, which shall be paid by the Purchaser to the Vendors (or their nominee(s)) as to:

(i) HK$40 million in cash as refundable deposit (the "**Refundable Deposit**") to be paid within one-month after the date of the Agreement; and

(ii) HK$110 million by the issuance of the Promissory Note to the Vendors (or their nominees) upon Completion.

As at the Latest Practicable Date, the Refundable Deposit has been fully paid.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendors with reference to among others, the valuation of entire interest of the Target Group of approximately HK$250 million as at 30 June 2016 prepared by Ascent Partners Valuation Services Limited, an independent valuer, based on the market approach. Details of which are set out in Appendix V – Valuation Report of the Target Group to this circular.

Conditions precedent

Completion is conditional upon the fulfilment of the following conditions precedent:

(a) the Purchaser being reasonably satisfied with the results of the due diligence review of the Target Group;

(b) all necessary consents and approvals required to be obtained on the part of the Vendors, the Target Group and the Purchaser in respect of the Agreement and the transactions contemplated thereunder having been obtained;

(c) all necessary waiver, consent, approval, licence, authorisation, permission, order and exemption (if required) from the relevant governmental or regulatory authorities or other third parties which are necessary in connection with the Agreement and the transactions contemplated thereunder having been obtained;

(d) the passing by the Shareholders at the EGM of an ordinary resolution to approve the Agreement and the transactions contemplated thereunder;

(e) the obtaining of a valuation report on the Target Group prepared by the independent valuer appointed by the Purchaser of which the valuation of the Target Group shall be not less than HK$250,000,000 and in the form and substance satisfactory to the Purchaser;

(f) the warranties provided by the Vendors under the Agreement remaining true and accurate in all material respects; and

(g) the warranties provided by the Purchaser under the Agreement remaining true and accurate in all material respects.

None of the conditions precedent set out above can be waived by any party under the Agreement.

As at the Latest Practicable Date, save for condition (e), none of the conditions precedent set out above has been fulfilled.

If any of the above conditions is not fulfilled on or before the Long Stop Date, the Agreement shall terminate and the Vendors shall return to the Purchaser all the deposits and other moneys paid by the Purchaser to the Vendors (without interest) under the Agreement, and none of the parties to the Agreement shall have any further obligations towards the other thereunder except for antecedent breaches (if any).

Completion

Completion shall take place on the Completion Date.

As at 31 July 2016, the total amount owed by the Target Group to the Vendors or their associates was approximately HK$26.7 million. Pursuant to the Agreement, the Vendors and their associates (if any) shall on or prior to Completion arrange to waive and discharge the total amount owed by the Target Group to the Vendors or their associates as at Completion. It is expected by the Company that there will be no repayment of the amount owed by the Target Group to the Vendors or their associates and such amount will be waived on the Completion Date. Despite the said waiver is not a condition precedent under the Agreement, the arrangement to waive the said amount on or prior to Completion is one of the terms and conditions enforceable by the parties under the Agreement and the Purchaser is entitled to refuse Completion in the event of breach of this term by the Vendors.

The Promissory Note

The Guarantor shall issue to the Vendors (or their nominee(s)) the Promissory Note in the principal amount of HK$110 million upon Completion on the following principal terms:

Issuer	:	the Guarantor
Principal amount to be issued	:	HK$110 million
Maturity date	:	the date immediately following 2 years after the date of issue of the Promissory Note
Interest	:	5% per annum
Transferability :	:	non-transferable in part or in whole to any party
Early redemption	:	the Guarantor may by giving of not less than 7 Business Days' prior notice in writing to the noteholder to redeem the whole or any part of the Promissory Note

The Profit Guarantee and the Put Option

Pursuant to the Agreement, the Vendors severally (but not jointly or jointly and severally) irrevocably and unconditionally guarantee to the Purchaser that the audited consolidated net profit after taxation of the Target Group for the twelve full months immediately following Completion, which is (i) based on the financial statements prepared in accordance with the HKFRS (the "**Audited Financial Statements**"); and (ii) to be audited by auditor(s) appointed by the Purchaser, shall not be less than HK$14.2 million (the "**Profit Guarantee**").

The Profit Guarantee was determined with reference to, among others, the publishing of the Target Group's self-developed mobile game, namely "Heroes Flick", which is currently being updated and is expected to be fully launched in the 2nd half of 2016, in Hong Kong, the PRC and Taiwan and approximately 12 countries by a subsidiary of Asiasoft Corporation Public Company Limited ("**Asiasoft**") (for more details, please refer to the sub-section headed "Business model of the Target Group" below) in the coming year.

Pursuant to Agreement, the Purchaser shall have the rights within a period of 6 months after the date of the Audited Financial Statements and at its full discretion to sell the Sale Shares to the Vendors at the price equivalent to the Consideration, whereupon the Vendors shall have the obligation to purchase the Sale Shares at such price in the event that the Target Group fails to meet the Profit Guarantee (the "**Put Option**"). Completion thereof shall take place within 14 days after (i) the date of issue of written notice for the exercise of the Put Option; and (ii) compliance with and fulfilment of all applicable laws and regulations including but not limited to the GEM Listing Rules by the Purchaser, the Company and the Vendors relating to the performance of the exercise of the Put Option, whichever is later. For the avoidance of doubt, no premium is payable for the issue and exercise of the Put Option.

If the Purchaser exercises the Put Option, it may constitute a notifiable transaction of the Company under Chapter 19 of the GEM Listing Rules and may subject to the Shareholder's approval. The Company will comply with applicable GEM Listing Rules and make further announcement(s) as and when appropriate in such event.

Retention of the existing management of the Target Group

Pursuant to the Agreement, the Vendors shall procure certain personnel from the existing management of the Target Group to enter into a legally binding service agreement with the Target Group reasonably satisfactory to the Purchaser to the effect that such personnel shall continue to serve the Target Group for a period of no less than 2 to 3 years after Completion.

INFORMATION OF THE VENDORS

Vendor A is a Hong Kong citizen and owns 50% of the issued share capital of the Target Company as at the Latest Practicable Date.

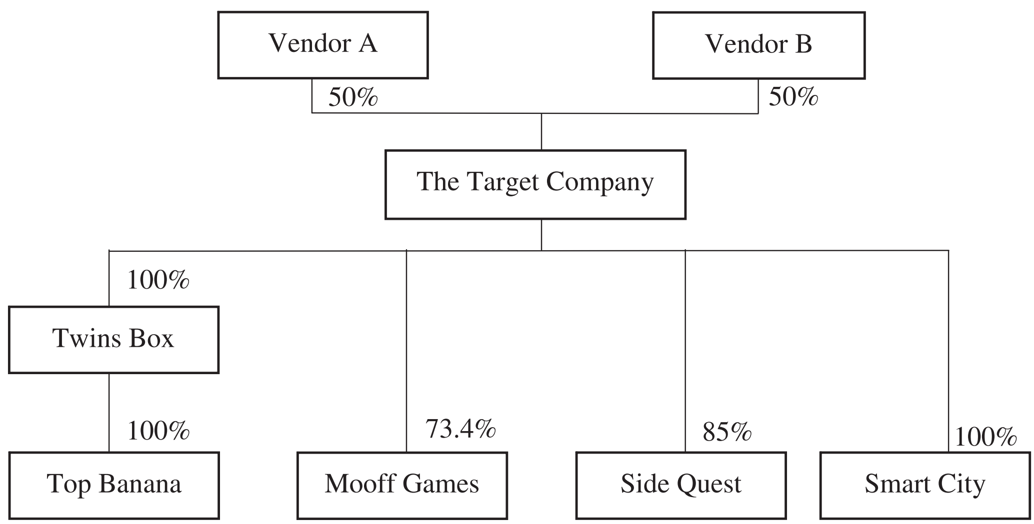
Vendor B is a company incorporated in the BVI with limited liability and owns 50% of the issued share capital of the Target Company as at the Latest Practicable Date. Its principal business activity is investment holding.

INFORMATION OF THE TARGET GROUP

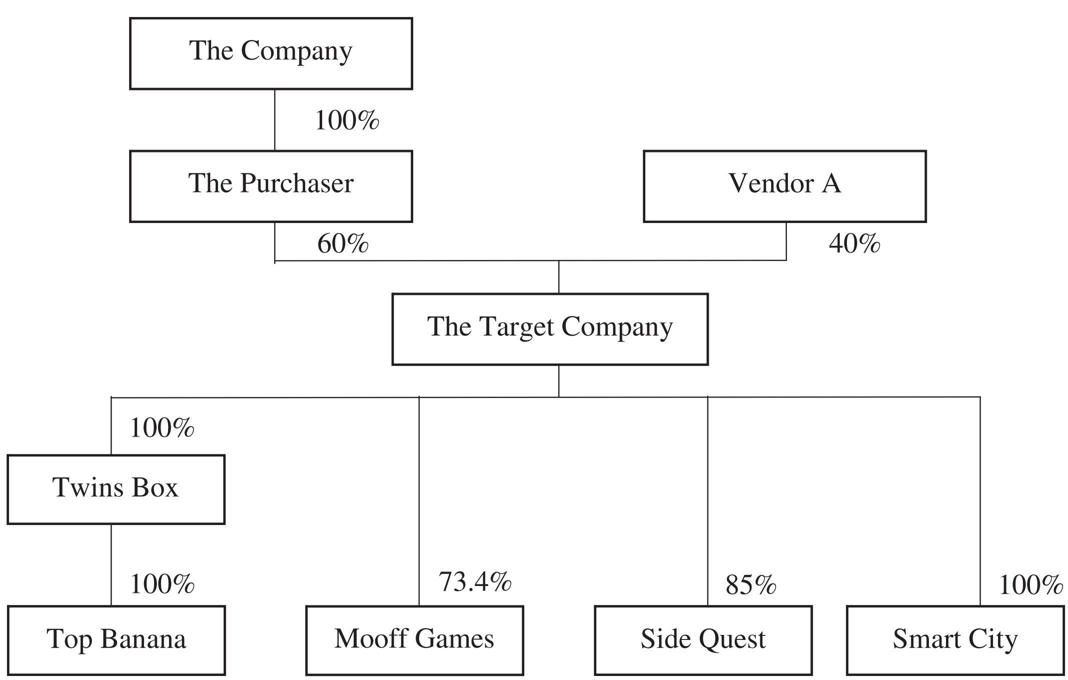
Shareholding structure of the Target Group

The graph below sets out the group structure of the Target Group:

(1) As at the Latest Practicable Date



(2) After Completion



The Target Company is a company incorporated in the BVI with limited liability and is wholly-owned by the Vendors.

Twins Box is a company incorporated in the BVI with limited liability and is wholly-owned by the Target Company.

Top Banana is a company incorporated in Hong Kong with limited liability and is wholly-owned by the Twins Box.

Mooff Games is a company incorporated in Hong Kong with limited liability and is owned as to 73.4%, 16.0% and 10.6% by the Target Company, Mr. Man Kwok Chung and Mr. Simon Alexander Marriott respectively.

Side Quest is a company incorporated in Hong Kong with limited liability and is owned as to 85% and 15% by the Target Company and Full Rich Human Resources Limited respectively.

Smart City is a company incorporated in Hong Kong with limited liability and is wholly-owned by the Target Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Full Rich Human Resources Limited and its ultimate beneficial owner(s), Mr. Man Kwok Chung and Mr. Simon Alexander Marriott are Independent Third Parties.

Business model of the Target Group

The Target Group is principally engaged in game publishing, development of mobile game, application and related intellectual property, and provision of related solution.

Game publisher

The Target Group sources different type of online mobile games from game developers (including its self-developed mobile game) in, among others, the PRC, Hong Kong, Korea and Japan for the publishing rights. Royalty fees ranging from 10% to 50% and certain licensing fees are generally being paid by the Target Group to the game developers for such rights.

The Target Group publishes the mobile games and bring them into the markets such as, among others, the PRC, Hong Kong, Taiwan and South-east Asia through marketing and product/channel launching mainly via Apple's and Google's application stores for different mobile phones. In addition, the Target Group will enter into sub-licensing contract with other game publishers for co-publishing. For instance, in 2015, the Target Group has successfully sub-licensed the self-developed mobile game named "Heroes Flick" ("**Heroes Flick**") to a subsidiary of Asiasoft, who is one of the leading game publishers in South-east Asia and it was the first mobile game picked by Asiasoft from a Hong Kong game developer, for distribution in approximately 12 countries. In general, the Target Group shares a range from 50% to 90% of the revenue generated primarily by the spending in the mobile game of the game users.

The Target Group aims to publish over 10 mobile games in the upcoming 5 years and to develop and become a mobile game publishing hub in Asia connecting the Asian and western countries.

Game application and intellectual property developer

As a game developer, the Target Group designs the game play, produces artwork and game interface and works on programming by its internal professional team, and seeks worldwide publishers, in particular the PRC and South-east Asia markets, in return for royalty fees (ranging from 10% to 50% in general) and licensing fees to be paid by the game publishers.

The Target Group has achieved a total worldwide downloads of around 6 million in the past 4 years. It has a solid reputation as a game developer in the western market and has extensive experience working with intellectual properties from prestigious brands and listed companies on the Stock Exchange and the Nasdaq.

The Target Group has developed by itself one major game application, namely Heroes Flick, and is currently upgrading the game which is targeted to be fully launched in the 2nd half of 2016, which the publishing in, without limitation to, Hong Kong and Taiwan would be responsible by the Target Group itself and other publishers would be responsible for the publishing in, without limitation to, the PRC, Japan, South Korea and other countries in the South-east Asia.

Going forward, it is targeted by the Target Group to (i) stay dedicated in further developing Heroes Flick into a top grossing mobile game in Asia by enhancing its features and contents, and also strengthening the branding of the characters of Heroes Flick as intellectual property; and (ii) develop other mobile games in the upcoming future. Furthermore, the Target Group will also develop and integrate animation characters into the mobile games by means of intellectual property and license the intellectual property to other game developers and content developers in the market in return for royalty fees and licensing fees, and with a primary focus on the PRC, Hong Kong, Taiwan and South-east Asia markets.

Solution provider

As a solution provider, the Target Group provides digital solution consultancy and development services on a project basis for development and/or consultation fees. For instance, the Target Group has developed customized educational mobile games for Hong Kong fire service department and MTR Corporation Limited based on their requirements. Generally, the fees to be charged by the Target Group are based on the complexity and size of the projects and requirements of the clients.

As at the Latest Practicable Date, the expected capital expenditure required for the Target Group's businesses for the next twelve months is approximately HK$755,000, mainly for upgrading the hardware and software systems.

Upon Completion, it is the intention of the Company to maintain the existing business models of the Target Group and operate the businesses of the Target Group as discussed above primarily by relying on the aforementioned retained management of the Target Group who possesses over 4 to 10 years of experiences in the Target Group's business industries.

Financial information of the Target Group

Based on the accountant's report as set out in Appendix III to this circular, the consolidated financial information of the Target Group prepared in accordance with the HKFRS for the two years ended 31 March 2015 and 2016 is as follows:

	For the financial year ended 31 March	
	2015	**2016**
	HK$'000	*HK$'000*
Loss before taxation	1,545	5,376
Loss after taxation	1,299	3,977

As at 31 March 2016, the consolidated net liabilities of the Target Group amounted to approximately HK$2.8 million.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the businesses of (i) developing and marketing of the patented server based technology and the provision of communications software platform and software related services with primary focus in the government industry sector; (ii) the provision of website development, education and communications software platform which focuses on the development of syllabus and contents for Chinese Language teaching and learning in primary and secondary schools and enterprises; and (iii) money lending business.

The Company has been actively seeking new business opportunities from time to time in order to diversify its business, broaden its income source and enhance the long-term growth potential of the Company and the Shareholders' value. In recent years, the mobile online game industry has experienced rapid growth in the PRC with the unprecedented growth of smartphone and other mobile devices users. The revenue derived from the mobile online game market in the PRC has reached approximately RMB51.46 billion in 2015, representing an increase of approximately 103.8% as compared to the corresponding year. The growth is expected to continue in the coming years driven by the rapid growth of smartphone penetration and the increased demand for online entertainment.

By investing in the Target Group, it is expected that the Group can tap into the mobile online game industry and capture the opportunities in the mobile online game industry. In addition, by utilising the Group's information technology-related experiences, the Directors are confident that synergy effect could be achieved with the existing principal businesses of the Group through the Acquisition.

Moreover, the Company expects that (i) the Target Group will turn from a net liability position to a net asset position upon Completion after having taken into account the waiver of the amount owed by the Target Group to the Vendors or their associates; and (ii) having considered the loss position of the Group for the six months ended 30 June 2016 and for the two financial years ended 31 December 2015, there will be a substantial positive impact on the Group's profitability should the Profit Guarantee be realised.

In light of the above, the Directors considers that the Consideration is fair and reasonable, the terms of the Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

As at the Latest Practicable Date, the Company had no intention, plan or arrangement to (i) dispose, terminate and/or scale-down the businesses or major assets of the Group; and (ii) change its existing Board composition.

FINANCIAL EFFECT OF THE ACQUISITION

Upon Completion, the Target Company will become a subsidiary of the Company and the consolidated financial results of the Target Group will be consolidated into the Group's financial statement. The accompanying unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular is prepared as if the Acquisition had taken place at 30 June 2016 to illustrate the effect of the Acquisition.

Net Assets

As set out in the unaudited pro forma financial information of the Enlarged Group in Appendix IV to this circular, as at 30 June 2016, the total assets of the Enlarged Group will increase from HK$283,137,000 to HK$437,005,000, the total liabilities of the Enlarged Group will increase from HK$5,630,000 to HK$131,336,000 and the net assets of the Enlarged Group will increase from HK$277,507,000 to HK$305,669,000 as a result of the Acquisition.

Earnings

Upon Completion, the Target Company will become a subsidiary of the Company and its consolidated net loss will be consolidated into the Enlarged Group. Based on the consolidated financial statements of the Target Group for the year ended 31 March 2016 as set out in Appendix III to this circular and assuming that the Acquisition had taken place on 31 December 2015, the net loss of the Group for the financial year ended 31 December 2015 is expected to increase from approximately HK$25,965,000 to HK$29,942,000 as a result of the Acquisition. However, should the Profit Guarantee realise, the Company expects that the earnings of the Enlarged Group will improve substantially.

GEM LISTING RULES IMPLICATIONS

As the applicable percentage ratios (as defined in the GEM Listing Rules) in respect of the Acquisition exceed 25% but are below 100%, the Acquisition constitutes a major transaction for the Company under Chapter 19 of the GEM Listing Rules and is subject to notification, announcement and shareholders' approval requirements under the GEM Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries as at the Latest Practicable Date, no Shareholder is involved in or interested in the Acquisition which requires him/her/it to abstain from voting on the proposed resolution(s) to approve the Agreement and the transactions contemplated thereunder at the EGM.

Completion is conditional upon the satisfaction of the conditions set out in the paragraph headed "Conditions precedent" in this circular. Accordingly, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

EGM

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Agreement and the transactions contemplated thereunder.

A notice convening the EGM of the Company to be held at 12:00 noon on Wednesday, 12 October 2016 at 9/F., Gloucester Tower, The Landmark, Central, Hong Kong is set out on pages EGM-1 to EGM-2 of this circular.

A form of proxy for use at the EGM is also enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not later than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish, and in such event, the form of proxy shall be deemed to be revoked.

RECOMMENDATION

The Board considers that the transactions contemplated under the Agreement are on normal commercial terms and the terms of the Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

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

Yours faithfully
By order of the Board
Aurum Pacific (China) Group Limited
Mui Yuk Wah
Executive Director

1. CONSOLIDATED FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group for each of the three years ended 31 December 2013, 2014 and 2015 and for the six months ended 30 June 2016 are disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkgem.com) and the Company (www.aurumpacific.com.hk) respectively:

- Interim Report 2016 (pages 3 to 25):
  http://www.aurumpacific.com.hk/english/reportprn.php?id_no=interim/ew8148_IR_20160812.pdf&rp_id=Interim

- Annual Report 2015 (pages 44 to 139):
  http://www.aurumpacific.com.hk/english/report/annaul2016/ew8148.pdf

- Annual Report 2014 (pages 38 to 119):
  http://www.aurumpacific.com.hk/english/report/annaul2015/ew8148.pdf

- Annual Report 2013 (pages 35 to 119):
  http://www.aurumpacific.com.hk/english/report/annaul2014/EW8148.pdf

2. STATEMENT OF INDEBTEDNESS

As at 31 July 2016, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Enlarged Group had outstanding borrowings as follows:

Borrowings

		As at 31 July 2016 *HK$'000*
Amount due to a shareholder of the Target Group	*(Note a)*	26,740
Financial assistance from government	*(Note b)*	288
Total unsecured and unguaranteed borrowings of the Enlarged Group		27,028

Note:

(a) The amount due to a shareholder of the Target Group is unsecured, unguaranteed, interest-free and repayable on demand.

(b) The Innovation and Technology Fund ("**ITF**") of the Hong Kong Special Administrative Region government has provided financial assistance to the Enlarged Group to assist in a specific product development. The funding is unsecured, unguaranteed, interest-free and repayable to ITF when revenue is generated from the specific product. The amount repaid, if any, will be in stages and calculated with reference to the revenue generated and received.

Apart from as disclosed above and intra-group liabilities, the Enlarged Group did not have at the close of business on 31 July 2016 any debt securities authorized or created but unissued, issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, hire purchase commitments, guarantees, or other material contingent liabilities.

Pledge of assets and contingent liabilities

As at 31 July 2016, the Enlarged Group did not have any pledge of assets and substantial contingent liabilities.

3. WORKING CAPITAL

The Directors are of the opinion that in the absence of unforeseen circumstances and after taking into account the financial resources available to the Enlarged Group, the available credit facilities and the effect of the Acquisition, the Enlarged Group will have sufficient working capital for its present requirement that is for at least the next 12 months from the date of this circular.

4. MATERIAL ADVERSE CHANGE

Reference is made to the profit warning announcement of the Company dated 5 August 2016, whereby it was announced that the Group is expected to record a substantial increase in the unaudited consolidated net loss for the six months ended 30 June 2016 as compared with the unaudited consolidated net loss for the six months ended 30 June 2015. The expected increase in the unaudited consolidated net loss was mainly attributable to the possible reclassification of the cumulative exchange reserve of approximately HK$7 million from equity to profit or loss in respect of disposal of entire equity interest of Native Hope Limited and its subsidiaries.

Save for the above, 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 31 December 2015, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

Upon Completion, the Enlarged Group will focus its resources on (i) developing and marketing of the patented server based technology and the provision of communications software platform and software related services with primary focus in the government industry sector; (ii) the provision of website development, education and communications software platform which focuses on development of syllabus and contents for Chinese Language and learning in primary and secondary schools and enterprises; (iii) money lending business; and (iv) the mobile data solutions and mobile game related services.

In respect of the developing and marketing of the patented server based technology and the provision of communications software platform and software related services with primary focus in the government industry sector, the Enlarged Group will continuously upgrade the products and services to maintain the existing market share and explore new markets.

In respect of the provision of website development, education and communications software platform which focuses on development of syllabus and contents for Chinese Language and learning in primary and secondary schools and enterprises, the Enlarged Group is optimistic on growth in the education market. The Enlarged Group will continue to invest resources such as staffs in developing a wide range of electronic software products to fit requirements of different customers.

In respect of money lending business, due to the mature Hong Kong financing market, the demand of loan is expected to increase substantially. The Enlarged Group has commenced the money lending business and began giving out loans since October 2015. The Company intends to expand its money lending business, which is principally the provision of secured loans and personal loans upon due and careful consideration of the customer's background, credit risk, market condition and economic return to the Company, etc.

The Board believes that the money lending business will provide the Enlarged Group an opportunity to obtain a higher return for the fund under the current low interest rate environment and will generate satisfactory revenue for the Enlarged Group. The Enlarged Group is optimistic that the software platform and money lending business will have positive gross profit and will generate positive cash flow from operations.

After Completion of the Acquisition, the Enlarge Group will diversify its existing businesses and capture the opportunities in the mobile online game industry. With the rapid growth of smartphone penetration, mobile games and/or applications have become one of the important smartphone entertainment. The Target Group plans to fully launch one major game application named "Heroes Flick" in the 2nd half of 2016. It is expected that the Enlarged Group's mobile game business has the potential to grow and able to contribute to the Enlarged Group's revenue.

Looking ahead, the Enlarged Group will continue to deploy appropriate operation strategies to meet the challenges posted by the competitive market, enhance the quality of the products and services, diversify its business and look for new potential investment opportunities to bring greater returns to the Shareholders.

Set out below is the management discussion and analysis of the Target Group for the three years ended 31 March 2016 based on the financial information of the Target Group as set out in Appendix III to this circular.

Business review and financial review of operations

Revenue

The Target Company did not have any operation and had not recorded any revenue for the year ended 31 March 2014.

The Target Group had recorded revenue of approximately HK$166,000 and HK$1,548,000 for the years ended 31 March 2015 and 2016 respectively. The increase in revenue was mainly attributable to the increase in revenue sharing from various mobile games, including a new mobile game named "Heroes Flick".

Cost of sales

The cost of revenue of the Target Group amounted to approximately HK$96,000 and HK$237,000 for the years ended 31 March 2015 and 2016 respectively. The increase in cost of sales was mainly attributable to production and publishing cost incurred for a new mobile game named "Heroes Flick".

Gross profit/loss

The Target Group had recorded gross profit of approximately HK$70,000 and HK$1,311,000 for the years ended 31 March 2015 and 2016 respectively. The increase in gross profit was mainly attributable to increase in revenue sharing from various mobile games, including a new mobile game named "Heroes Flick".

Gain on bargain purchase arising on business combination

The Target Group had recorded a gain of approximately HK$3,366,000 on the fair value of the identifiable assets and liabilities acquired and the goodwill aroused resulting from the acquisitions as discussed in the sub-section headed "Significant investment, material acquisition and disposal" below for the year ended 31 March 2016.

Administrative and other operation expenses

The administrative and other operation expenses of the Target Group for the years ended 31 March 2014, 2015, 2016 were approximately HK$16,000, HK$1,615,000 and HK$10,053,000, respectively. The increase in administrative and other operation expenses for the year ended 31 March 2016 as compared with the corresponding year was primarily resulting from the increase in research and development expenses, staff costs and selling and distribution expenses.

Profit/loss

The Target Group recorded a net loss of approximately HK$16,000, HK$1,299,000 and HK$3,977,000 for the years ended 31 March 2014, 2015 and 2016 respectively. The increase in net loss for the year ended 31 March 2016 as compared with the corresponding year was primarily resulting from higher administrative and other operation expenses.

Liquidity and financial resources

As at 31 March 2014, the Target Group did not have any assets. As at 31 March 2015 and 2016, the total assets of the Target Group amounted to approximately HK$6,020,000 and HK$25,124,000 respectively.

As at 31 March 2015 and 2016, the Target Group had cash and cash equivalents of approximately HK$1,692,000 and HK$366,000, and net current liabilities of approximately HK$3,957,000 and HK$24,000,000 respectively.

Borrowings

As at 31 March 2014, the Target Group did not have any borrowings.

As at 31 March 2015, the Target Group had a total borrowings of HK$6,071,000, consisting of an amount due to a director of HK$94,000 and an amount due to a shareholder of HK$5,977,000.

As at 31 March 2016, the Target Group had a total borrowings of HK$22,930,000, consisting of an unsecured bank overdrafts of HK$380,000 and an amount due to a shareholder of HK$22,550,000.

Gearing ratio

As at 31 March 2015 and 2016, the gearing ratio (calculated by total liabilities divided by total assets) was approximately 120% and 111% respectively.

Pledge of assets

As at 31 March 2014, 2015 and 2016, the Target Group did not have any pledge of assets.

Capital commitments

As at 31 March 2014, the Target Group did not have any capital commitments.

As at 31 March 2015 and 2016, the Target Group had capital commitments in relation to future minimum lease payments under non-cancellable operating leases of HK$145,000 and HK$116,000 respectively.

Contingent liabilities

As at 31 March 2014, 2015 and 2016, the Target Group did not have any material contingent liabilities.

Employees

The Target Group had 34 employees as at 31 March 2016. No remuneration was paid to the Target Group's employees for the year ended 31 March 2014. The remunerations paid to the Target Group's employees for the year ended 31 March 2015 and 2016 was approximately HK$1,252,000 and HK$6,074,000.

The remuneration package for the employees generally includes salary and discretionary bonuses. The employees also receive welfare benefits, including retirement benefits, occupational injury insurance and other miscellaneous items. Annual review of the performance of the employees is conducted for determining the level of bonus, salary adjustment and promotion.

The Target Group will provide in-house or out-sourced training to the employees as and when necessary.

Foreign currency exposure

The Target Group had only minimal foreign currencies transactions, which would expose the Target Group to foreign currency risk. For the years ended 31 March 2014, 2015 and 2016, the impact of fluctuations in foreign currency on the Target Group was minimal and the Target Group did not have any foreign currency hedging policy. However, the directors of the Target Group would monitor foreign exchange exposure and consider hedging significant foreign currency exposure should the need arise.

Significant investment, material acquisition and disposal

As part of the Target Group's expansion, it had entered into the following acquisitions during the years ended 31 March 2015 and 2016:-

(i) on 9 December 2014, 100% equity interest in Top Banana held by Glory Brightness Ltd. was acquired by Twins Box, a wholly-owned subsidiary of the Target Company;

(ii) on 22 December 2014, 85% equity interest in Side Quest held by MTel Limited was acquired by the Target Company;

(iii) on 23 December 2014, 73.4% equity interest in Mooff Games held by MTel Limited and Excel Focus Limited was acquired by the Target Company;

(iv) on 9 March 2016, 70% equity interest in Smart City held by Funland Overseas Limited was acquired by the Target Company; and

(v) on 16 March 2016, the remaining equity interest in Smart City held by Next Step Ventures Limited was acquired by the Target Company.

Save as disclosed above, the Target Group did not have any significant investment, material acquisition or disposal for the years ended 31 March 2014, 2015 and 2016.

BAKER TILLY
HONG KONG|天職香港

The Board of Directors
Aurum Pacific (China) Group Limited

Dear Sirs,

We (the "**Reporting accountants**") set out below our report on the financial information of First Surplus Investments Ltd. (the "**Target Company**") and its subsidiaries (hereinafter collectively referred to as the "**Target Group**"), comprising the consolidated statements of financial position as at 31 March 2014, 2015 and 2016, and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Target Group, for each of the years ended 31 March 2014, 2015 and 2016 (the "Relevant Periods"), together with explanatory notes thereto (the "**Financial Information**"), for inclusion in Appendix III to the circular of Aurum Pacific (China) Group Limited (the "**Company**") dated 24 September 2016 (the "**Circular**") in connection with the acquisition of 60% equity interest in the Target Company by the Company (the "**Acquisition**").

The Target Company was incorporated in the British Virgin Islands ("**BVIs**") on 3 January 2012 as a BVI Business Company with limited liability under the BVI Business Companies Act, 2004.

As at the date of this report, the Target Company has direct or indirect interests in the subsidiaries as set out in Note 1 of Section II below. All the companies comprising the Target Group have adopted 31 March as their financial year end date. The financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to these companies in the countries in which they are incorporated and/or established. Details of their auditors during the Relevant Periods are set out in Note 1 of Section II below.

For the purpose of this report, the directors of the Target Company have prepared the financial statements for the year ended 31 March 2014 and the consolidated financial statements for the years ended 31 March 2015 and 2016 of the Target Group (the "**Underlying Financial Statements**") in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). The Underlying Financial Statements for each of the years ended 31 March 2014, 2015 and 2016 were audited by us in accordance with Hong Kong Standards on Auditing ("**HKSA**") issued by the HKICPA.

The Financial Information has been prepared by the directors of the Target Company and is set out in sections I to III below for inclusion in the Circular based on the Underlying Financial Statements, with no adjustments made thereon and in accordance with the applicable disclosure provisions of the Hong Kong Companies Ordinance and the

Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**"). The Financial Information has been prepared using accounting policies which are materially consistent with that of the Company.

Directors' responsibility

The directors of the Target Company are responsible for the preparation of the Financial Information of the Target Group that gives a true and fair view in accordance with HKFRSs issued by the HKICPA and the applicable disclosure provisions of the Hong Kong Companies Ordinance and the GEM Listing Rules, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Financial Information that are free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to form an independent opinion on the Financial Information and to report our opinion thereon to you.

For the purpose of this report, we have carried out procedures on the Financial Information in accordance with Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

We have not audited any financial statements of the Target Company, its subsidiaries or the Target Group in respect of any period subsequent to 31 March 2016.

Opinion

In our opinion, for the purpose of this report, the Financial Information gives a true and fair view of the financial position of the Target Group as at 31 March 2014, 2015 and 2016 and of its financial performance and cash flows for the Relevant Periods.

Emphasis of matter – material uncertainty regarding the going concern assumption

Without qualifying our opinion we draw attention to Note 2 of Section II to the Financial Information concerning the adoption of the going concern basis on which the Financial Information have been prepared. As at 31 March 2014, 2015 and 2016, the Target Group had net current liabilities of HK$29,000, HK$3,957,000 and HK$24,000,000 and net liabilities of HK$29,000, HK$1,220,000 and HK$2,814,000, respectively. These conditions indicate the existence of a material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. The ability of the Target Group to continue as a going concern is dependent upon attaining future profitable operations and the execution of a deed of wavier by a shareholder of the Target Group to discharge the total amount owed by the Target Group to the shareholder. We considered that the appropriate disclosures have been made in the Financial Information, and our opinion is not qualified in this respect.

I. FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 March		
		2014	**2015**	**2016**
	Note	*HK$'000*	*HK$'000*	*HK$'000*
Revenue	*4*	–	166	1,548
Cost of sales		–	(96)	(237)
Gross profit		–	70	1,311
Gain on bargain purchase arising on business combination	*21(b)*	–	–	3,366
Administrative expenses		(16)	(415)	(3,669)
Research and development expenses		–	(1,200)	(4,235)
Selling and distribution expenses		–	–	(2,149)
Loss before taxation	*6*	(16)	(1,545)	(5,376)
Income tax credit	*7*	–	246	1,399
Loss and total comprehensive loss for the year		(16)	(1,299)	(3,977)
Attributable to:				
– owners of the Target Company		(16)	(1,078)	(3,414)
– non-controlling interests		–	(221)	(563)
		(16)	(1,299)	(3,977)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AT 31 MARCH

	Note	2014 HK$'000	2015 HK$'000	2016 HK$'000
Non-current assets				
Property, plant and equipment	*10*	–	109	170
Intangible assets	*11*	–	–	18,568
Goodwill	*12*	–	2,105	2,105
Deferred tax assets	*13*	–	541	3,427
		–	2,755	24,270
Current assets				
Trade and other receivables	*14*	–	1,573	488
Cash and cash equivalents	*15*	–	1,692	366
		–	3,265	854
Current liabilities				
Bank overdrafts, unsecured	*15*	–	–	380
Other payables and accruals		29	1,151	1,924
Amount due to a director	*16*	–	94	–
Amount due to a shareholder	*17*	–	5,977	22,550
		29	7,222	24,854
Net current liabilities		(29)	(3,957)	(24,000)
Total assets less current liabilities		(29)	(1,202)	270
Non-current liabilities				
Deferred tax liabilities	*13*	–	18	3,084
		–	18	3,084
Net liabilities		(29)	(1,220)	(2,814)
Capital and reserves	*18*			
Share capital		1	1	1
Reserves		(30)	(1,108)	(2,139)
Total deficit attributable to the owners of the Target Company		(29)	(1,107)	(2,138)
Non-controlling interests		–	(113)	(676)
Total deficit		(29)	(1,220)	(2,814)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to owners of the Target Company					
	Share capital	Accumulated losses	Capital reserve	Total	Non-controlling interests	Total deficit
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April 2013	1	(14)	–	(13)	–	(13)
Loss and total comprehensive loss for the year	–	(16)	–	(16)	–	(16)
At 31 March 2014 and 1 April 2014	1	(30)	–	(29)	–	(29)
Issue of shares *(note 18(a))*	–	–	–	–	–	–
Non-controlling interests arising on business combination *(note 21(b))*	–	–	–	–	108	108
Loss and total comprehensive loss for the year	–	(1,078)	–	(1,078)	(221)	(1,299)
At 31 March 2015 and 1 April 2015	1	(1,108)	–	(1,107)	(113)	(1,220)
Non-controlling interest arising on business combination *(note 21(b))*	–	–	–	–	2,386	2,386
Acquisition of non-controlling interests *(note 21(e))*	–	–	2,383	2,383	(2,386)	(3)
Capital contribution from non-controlling interests *(note 21(f))*	–	–	–	–	–	–
Loss and total comprehensive loss for the year	–	(3,414)	–	(3,414)	(563)	(3,977)
At 31 March 2016	1	(4,522)	2,383	(2,138)	(676)	(2,814)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended 31 March 2014 HK$'000	2015 HK$'000	2016 HK$'000
Operating activities				
Loss before taxation		(16)	(1,545)	(5,376)
Adjustments for:				
– Depreciation of property, plant and equipment	*6(b)*	–	41	78
– Gain on bargain purchase arising on business combination	*21(b)*	–	–	(3,366)
Operating loss before working capital changes		(16)	(1,504)	(8,664)
(Increase)/decrease in trade and other receivables		–	(1,273)	1,251
Increase/(decrease) in other payables and accruals		16	359	(801)
Increase/(decrease) in amount due to a director		–	94	(94)
Net cash used in operating activities		–	(2,324)	(8,308)
Investing activities				
Acquisition of non-controlling interests	*21(e)*	–	–	(3)
Net cash outflow from acquisition of subsidiaries	*21(b)*	–	(1,927)	(2,094)
Payment for purchase of property, plant and equipment		–	(34)	(64)
Net cash used in investing activities		–	(1,961)	(2,161)
Financing activities				
Advances from a shareholder		–	5,977	8,763
Capital contribution from non-controlling interests	*21(f)*	–	–	–
Proceeds from issue of shares	*18(a)*	–	–	–
Net cash generated from financing activities		–	5,977	8,763
Net increase/(decrease) in cash and cash equivalents		–	1,692	(1,706)
Cash and cash equivalents at 1 April		–	–	1,692
Cash and cash equivalents at 31 March	*15*	–	1,692	(14)

II. NOTES TO THE FINANCIAL INFORMATION

1 GENERAL INFORMATION

The Target Company was incorporated in the BVIs on 3 January 2012 as a BVI Business Company with limited liability under the BVI Business Companies Act, 2004. The Target Company has its registered office at Akara Building, 24 De Castro Street, Wickhams Cay 1, Road Town, Tortola, the BVIs, and its principal place of business at Room 1012, 10th Floor, CC Wu Building, 302-8 Hennessy Road, Wan Chai, Hong Kong.

The Target Company is an investment holding company. The principal activities of its subsidiaries are set out below.

As at 31 March 2016, the Target Company had direct or indirect interests in the following subsidiaries:

Name of company	Place of incorporation/ establishment	Issued and fully paid capital	Effective interest held	Principal activities	*Note*
Directly owned:					
Twins Box Holdings Ltd. ("**Twins Box**")	BVIs	1 ordinary share of US$1	100%	Investment holding	*(1)*
Mooff Games Limited ("**Mooff Games**")	Hong Kong	10,000 ordinary shares (HK$10,000)	73.4%	Development and provision of mobile data solutions and related services	*(2), (3)*
Side Quest Limited ("**Side Quest**")	Hong Kong	3,020,000 ordinary shares (HK$4,510,001)	85%	Development and provision of mobile data solutions and related services	*(2), (3)*
Smart City Technology Limited ("**Smart City**")	Hong Kong	12,000 ordinary shares (HK$1,010,000)	100%	Development of mobile games	*(3)*
Indirectly owned:					
Top Banana Limited	Hong Kong	1 ordinary share (HK$1)	100%	Publisher of mobile games and related services	*(4), (5)*

All companies comprising the Target Group have adopted 31 March as the financial year end date.

Note:

(1) No statutory audited financial statements are available.

(2) The statutory financial statements for the year ended 31 March 2014 have been audited by RSM Nelson Wheeler.

(3) The statutory financial statements for the year ended 31 March 2015 have been audited by Fortitude C.P.A. Limited.

(4) The statutory financial statements for the years ended 31 March 2014 and 2015 have been audited by Fortitude C.P.A. Limited.

(5) Top Banana Limited was formerly known as King Creative Limited prior to 2 December 2014.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The Financial Information has been prepared from the Underlying Financial Statements of the Target Group. The Underlying Financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), the accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Listing Rules**").

All HKFRSs effective for the annual accounting period commencing from 1 April 2015, together with the relevant transitional provisions, have been early adopted by the Target Group in the preparation of the Financial Information throughout the Relevant Periods. The amendments, new standards and interpretations issued but not yet effective for the year ended 31 March 2016 are set out in note 27 to the Financial Information.

For the purpose of this report, the Financial Information of the Target Group has been prepared on a basis in accordance with the principles of the Auditing Guideline 3.340 "Prospectus and the Reporting Accountant" issued by the HKICPA.

A summary of the significant accounting policies adopted by the Target Group is set out below.

(b) Basis of preparation

The Financial Information is presented in thousands of units of Hong Kong dollars ("**HK$000**"), unless otherwise stated. Hong Kong dollars ("**HK$**") is the Target Company's functional currency and the Target Group's presentation currency.

The measurement basis used in the preparation of the Financial Information is the historical cost basis.

The Financial Information has been prepared on a going concern basis, notwithstanding the Target Group had net current liabilities of HK$29,000, HK$3,957,000 and HK$24,000,000 and net liabilities of HK$29,000, HK$1,220,000 and HK$2,814,000 respectively as at 31 March 2014, 2015 and 2016. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Target Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

In view of these circumstances, the directors of the Target Company have given careful consideration to the future liquidity and performance of the Target Group in assessing whether the Target Group will have sufficient financial resources to continue as a going concern.

In the opinion of the directors of the Target Company, the Target Group should be able to continue as a going concern after taking into consideration of the deed of wavier to be executed by the shareholders and their associates (if any). Details of the deed of wavier is disclosed in note 26 to the Financial Information.

As at 31 March 2016, the total amount owed by the Target Group to a shareholder approximates HK$22,550,000. Based on this, the directors of the Target Company are satisfied that the Target Group will have sufficient working capital to meet in full its financial obligations as they fall due in the foreseeable future and be able to continue to operate with no significant financial difficulties. Accordingly, the Financial Information have been prepared on a going concern basis.

The preparation of the Financial Information in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the Financial Information and major sources of estimation uncertainty are discussed in note 3.

(c) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed, 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. When assessing whether the Target Group has power, only substantive rights (held by the Target Group and other parties) are considered.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Target Company, and in respect of which the Target Group has not agreed any additional terms with the holders of those interests which would result in the Target Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the owners of the Target Company. Non-controlling interests in the results of the Target Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Target Company.

Changes in the Target Group's interests in a subsidiary that do not result in a loss of control are amounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

In the Target Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(i)(ii)).

(d) Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Target Group, liabilities incurred by the Target Group to former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair values, except that:

– deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12, Income taxes, and HKAS 19, Employee benefits, respectively;

– liabilities or equity instruments related to the replacement by the Target Group of an acquiree's share-based payment awards are measured in accordance with HKFRS 2, Share-based payment; and

– assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5, Non-current assets held for sale and discontinued operations, are measured in accordance with that standard.

(e) Goodwill

Goodwill represents the excess of:

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Target Group's previously held interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured at the acquisition date.

When (ii) is greater than (i), then its excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Non-controlling interests may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

Goodwill arising on an acquisition of a business is carried at cost established at the date of acquisition of the business (see note 2(d)) less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see note 2(i)(ii)).

(f) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see note 2(i)(ii)).

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

Leasehold improvements	5 years
Furniture and fixtures	3 to 5 years
Computer equipment	2 to 3 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

(g) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Target Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see note 2(i)(ii)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Target Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see note 2(i)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the estimated useful lives. The following intangible assets with finite useful lives are amortised from the date when they are available for use and their estimated useful lives are as follows:

Mobile game	3 years

Both the period and method of amortisation are reviewed annually.

(h) Leased assets

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

(i) Classification of assets leased to the Target Group

Assets that are held by the Target Group under leases which transfer to the Target Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Target Group are classified as operating leases.

(ii) Operating lease charges

Where the Target Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(i) Impairment of assets

(i) Impairment of financial assets

Financial assets that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Target Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

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

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

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor.

If any such evidence exists, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where these financial assets share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Target Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade receivables directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– intangible assets;

– goodwill; and

– investments in subsidiaries in the Target Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(j) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost using the effective interest method, less allowance for impairment of doubtful debts (see note 2(i)(i)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Target Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statements of cash flows.

(m) Deferred income

Deferred income represents contractual billings/amount due in excess of recognised revenue resulting from services yet to be rendered or in respect of the unexpired terms of the relevant contracts/arrangements, or for which the applicable revenue recognition criteria are not yet satisfied. Revenue is recognised and deferred income is released to profit or loss when the relevant services are rendered or on a time proportion basis over the terms of the relevant contracts/arrangements, or when the applicable revenue recognition criteria are satisfied.

(n) Employee benefits

Short term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

(o) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Target Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Target Company or the Target Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Target Company or the Target Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  - the same taxable entity; or

  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(p) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Target Group or the Target Company has a legal or constructive obligation arising as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

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

(q) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Target Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Provision of mobile data solutions and related services

Service fee income from the provision of mobile data solutions and related services are recognised when the services are rendered.

(ii) Interest income

Interest income is recognised as it accrues using the effective interest method.

(r) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates.

(s) Related parties

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

(1) has control or joint control of the Target Group;

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

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

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

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

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

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

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

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

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

(7) A person identified in (i)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(8) The entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the Target Group's parent.

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

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the consolidated financial statements, are identified from the financial information provided regularly to the Target Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Target Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING ESTIMATES AND JUDGEMENTS

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 selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the consolidated financial statements. The principal accounting policies are set forth in note 2. The directors of the Target Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the Financial Information.

(a) Impairment loss on intangible assets

The carrying amounts of intangible assets that are not yet available for use are reviewed annually in order to assess whether the recoverable amounts have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to recoverable amount.

The recoverable amount is the greater of the fair value less costs of disposal and the value in use. In determining the value in use, the expected cash flows generated by the intangible assets are discounted to their present value, which requires significant judgement relating to the level of future software revenue and the amount of service costs. The Target Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and service costs, and discount rate.

(b) Impairment loss on goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors of the Target Company to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Details of the impairment loss calculation are set out in note 12.

(c) Deferred tax assets

Deferred tax assets are recognised for unused tax losses. As these deferred tax assets can only be recognised to the extent that it is probable that future taxable profits will be available against which the unused tax benefits can be utilised, management's judgement is required to assess the probability of future taxable profits. Management's assessment is constantly received and additional deferred tax assets are recognised if it becomes probable that future taxable profits will allow the deferred tax assets to be recovered; conversely, the carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Details of the nature and carrying amounts of deferred tax assets are disclosed in note 13.

4 REVENUE

Revenue represents the sales value of services supplied to customers from the provision of mobile data solutions and related services.

5 SEGMENT REPORTING

The Target Group has been operating with one reportable and operating segment, being the provision of development, operation and publication of mobile games and applications. Accordingly, no segment information except for entity-wide disclosure is provided.

(a) Geographical information

The Target Group operates within one geographical segment because its revenue are primarily generated in Asia (including Hong Kong and Republic of China) and its assets are majorly located in Hong Kong. Accordingly, no geographical segment data is presented.

(b) Information about major customers

Revenue from major customers, each of whom accounted for 10% or more of the total revenue, is set out below:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Customer A	N/A	144	261
Customer B	N/A	20	247
Customer C	N/A	N/A	330
Customer D	N/A	N/A	200
Customer E	N/A	N/A	166

6 LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
(a) Staff costs (including directors' remuneration *(note 8)*):			
Salaries, wages and other benefits	–	1,194	5,805
Contribution to defined contribution retirement plan	–	58	269
	–	1,252	6,074
(b) Other items:			
Auditor's remuneration	5	79	84
Depreciation of property, plant and equipment	–	41	78
Operating lease rentals	–	–	335

7 INCOME TAX CREDIT

(a) Taxation in the consolidated statements of profit or loss and other comprehensive income represents:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax credit *(note 13(b))*			
Origination and reversal of temporary differences	–	246	1,399

Pursuant to the rules and regulations of the BVIs, the Target Group is not subject to any income tax in the tax jurisdiction.

No provision for Hong Kong Profits Tax has been made during the Relevant Periods for the Hong Kong subsidiaries as they have estimated tax losses for Hong Kong Profits Tax purposes.

(b) Reconciliation between income tax credit and accounting loss at applicable tax rates:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Loss before taxation	(16)	(1,545)	(5,376)
Notional tax credit on loss before taxation, calculated at Hong Kong Profits Tax rate of 16.5%	(3)	(255)	(887)
Tax effect of non-taxable income	–	–	(556)
Effect of different tax rates of subsidiaries	3	9	44
Income tax credit	–	(246)	(1,399)

8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance, Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation and the GEM Listing Rules are as follows:

	Salaries, allowances and benefits in kind			Retirement scheme contributions			Total		
	2014	**2015**	**2016**	**2014**	**2015**	**2016**	**2014**	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Kwong Wing Heen Gabriel (appointed on 25 November 2014 and resigned on 29 February 2016)	–	96	352	–	5	17	–	101	369
Carter Mackintosh Adam (resigned on 25 November 2014)	–	–	–	–	–	–	–	–	–
Yiu Wing Hei (appointed on 30 January 2015)	–	–	–	–	–	–	–	–	–
Law Shu Sang, Joseph (appointed on 30 January 2015 and resigned on 29 February 2016)	–	–	–	–	–	–	–	–	–
Tang Jay (appointed on 9 March 2016)	–	–	–	–	–	–	–	–	–
	–	96	352	–	5	17	–	101	369

No directors waived any emoluments during the Relevant Periods.

9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, one is a director whose emoluments are disclosed in note 8. The aggregate of the emoluments in respect of the remaining four individuals are as follows:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Salaries and other emoluments	–	360	1,442
Retirement scheme contributions	–	17	66
	–	377	1,508

The emoluments of the remaining four individuals with the highest emoluments are within the following band:

	2014	**2015**	**2016**
	Number of individuals	*Number of individuals*	*Number of individuals*
HK$Nil – HK$1,000,000	Nil	4	4

10 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Computer equipment *HK$'000*	Total *HK$'000*
Cost:				
At 1 April 2013, 31 March 2014 and 1 April 2014	–	–	–	–
Additions	–	–	34	34
Additions through business combinations *(note 21(b))*	–	–	116	116
At 31 March 2015 and 1 April 2015	–	–	150	150
Additions	–	5	59	64
Additions through business combinations *(note 21(b))*	30	15	30	75
At 31 March 2016	30	20	239	289
Accumulated depreciation:				
At 1 April 2013, 31 March 2014 and 1 April 2014	–	–	–	–
Charge for the year	–	–	41	41
At 31 March 2015 and 1 April 2015	–	–	41	41
Charge for the year	–	2	76	78
At 31 March 2016	–	2	117	119
Carrying value:				
At 31 March 2014	–	–	–	–
At 31 March 2015	–	–	109	109
At 31 March 2016	30	18	122	170

11 INTANGIBLE ASSETS

	Mobile game
	HK$'000
Cost and carrying value:	
At 1 April 2013, 31 March 2014, 1 April 2014, 31 March 2015 and 1 April 2015	–
Additions through business combinations *(note 21(b))*	18,568
At 31 March 2016	18,568

There is no amortisation charge for the year ended 31 March 2016 as the intangible assets are not yet available for use.

12 GOODWILL

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Cost and carrying value:			
At 1 April	–	–	2,105
Arising on acquisition of subsidiaries *(note 21(b))*	–	2,105	–
At 31 March	–	2,105	2,105

Impairment test for cash-generating units containing goodwill

The recoverable amount of the cash-generating units ("**CGUs**") is determined based on value-in-use calculation. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using an estimated weighted average growth rate of 3.4% which is consistent with the forecast included in industry reports. The growth rates used do not exceed the long-term average growth rates for the business in which the CGUs operate. The cash flows are discounted using a discount rate of 18.9% to 19.8%.

The directors have reviewed the carrying amount of goodwill in accordance with HKAS 36. Based on the assessment results, the directors are of the opinion that there are no indications that the carrying value of the goodwill may be impaired.

13 DEFERRED TAX BALANCES

(a) The following is the analysis of the deferred tax balances for financial reporting purposes:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Deferred tax assets	–	541	3,427
Deferred tax liabilities	–	(18)	(3,084)
	–	523	343

(b) The component of deferred tax assets/(liabilities) recognised in the consolidated statements of financial position and the movements during the Relevant Periods are as follows:

Deferred tax assets/ (liabilities) arising from:	**Tax losses**	**Depreciation allowance in the excess of the related depreciation**	**Fair value adjustment on intangible assets**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 April, 31 March 2014 and 1 April 2014	–	–	–	–
Additions through business combinations *(note 21(b))*	296	(19)	–	277
Credited to profit or loss *(note 7)*	245	1	–	246
At 31 March 2015 and 1 April 2015	541	(18)	–	523
Additions through business combinations *(note 21(b))*	1,490	(5)	(3,064)	(1,579)
Credited to profit or loss *(note 7)*	1,396	3	–	1,399
At 31 March 2016	3,427	(20)	(3,064)	343

14 TRADE AND OTHER RECEIVABLES

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Trade receivables	–	54	–
Deposits and other receivables	–	1,519	488
	–	1,573	488

Trade receivables as at 31 March 2015 were neither past due nor impaired.

15 CASH AND CASH EQUIVALENTS

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Cash at bank and on hand	–	1,692	366
Cash and cash equivalents in the consolidated statements of financial position	–	1,692	366
Bank overdrafts, unsecured	–	–	(380)
Cash and cash equivalents in the consolidated statements of cash flows	–	1,692	(14)

16 AMOUNT DUE TO A DIRECTOR

The amount due to a director was unsecured, interest-free and repayable on demand.

17 AMOUNT DUE TO A SHAREHOLDER

The amount due to a shareholder is unsecured, interest-free and repayable on demand.

18 CAPITAL AND RESERVES

(a) Share capital

	Number of shares	Amount
		HK$
Authorised:		
Ordinary shares of US$1.00 each		
At 31 March 2014, 2015 and 2016	50,000	390,000
Issued and fully paid:		
Ordinary shares of US$1.00 each		
At 1 April 2013, 31 March 2014 and 1 April 2014	1	8
Issue of share	9	70
At 31 March 2015, 1 April 2015 and 31 March 2016	10	78

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Target Company. All ordinary shares rank equally with regard to the Target Company's residual assets.

(b) Nature and purpose of reserves

Capital reserve

The capital reserve represents the excess of the fair value of consideration paid for acquisition of additional interest in a non-wholly owned subsidiary over the decrease in the carrying amount of the non-controlling interest.

(c) Capital management

The Target Group's primary objectives when managing capital are to safeguard the Target Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing its services commensurately with the level of risk and by securing access to finance at a reasonable cost.

The Target Group actively and regularly reviews and manages its capital structure to maintain a balance between higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments as to the capital structure in light of changes in economic conditions.

The Target Group monitors its capital structure on the basis of an adjusted net debt-to-capital ratio. For this purpose, adjusted net debt is defined as total debt (which includes amounts due to a director and a shareholder), less cash and cash equivalents. Adjusted capital comprises all components of equity plus amounts due to a director and a shareholder.

The directors of the Target Company review the capital structure on an ongoing basis. As part of this review, the directors consider the cost of debt and cost of capital. Based on the recommendation of the directors, the Target Group will balance its overall capital structure through the issue of new debts and shares.

Neither the Target Company nor any of its subsidiaries is subject to externally imposed capital requirements.

19 DEFINED CONTRIBUTION RETIREMENT PLANS

The Target Group operates a mandatory provident fund scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF Scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000 (HK$25,000 prior to 1 June 2014). Contributions to the scheme vest immediately.

20 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Target Group's business. The Target Group's exposure to these risks and the financial risk management policies and practices used by the Target Group to manage these risks are described below.

(a) Credit risk

The Target Group's credit risk is primarily attributable cash and cash equivalents. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

Cash and cash equivalents are normally placed at financial institutions that have sound credit ratings and the directors consider that the credit risk in liquid funds is limited.

The Target Group does not provide any guarantees which would expose the Target Group to credit risk.

Further quantitative disclosures in respect of the Target Group's exposure to credit risk arising from trade and other receivables are set out in note 14.

(b) Liquidity risk

Individual operating entities within the Target Group are responsible for their own cash management, including the short term investment of cash surpluses and the raising of loans to cover expected cash demands. The Target Group's policy is to regularly monitor its liquidity requirements to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding to meet its liquidity requirements in the short and longer term.

The Target Group is exposed to significant liquidity risk. As at 31 March 2014, 2015 and 2016, the Target Group had net current liabilities of HK$29,000, HK$3,957,000 and HK$24,000,000 and net liabilities of HK$29,000, HK$1,220,000 and HK$2,814,000 respectively. The maintenance of the Target Group as a going concern depends upon attaining future profitable operations and the execution of a deed of wavier by a shareholder of the Target Company to discharge the total amount owed by the Target Group to the shareholder as disclosed in note 2.

(c) *Interest rate risk*

As the Target Group has no significant interest-earning assets and interest bearing liabilities, it is no exposed to significant interest risk during the Relevant Periods.

(d) *Currency risk*

The management considers the Target Group is not exposed to significant foreign currency risk as most sales, income, purchases and expenses are denominated in the functional currency of the entities within the Target Group, i.e. HK$.

(e) *Categories of financial instruments*

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Financial assets			
Loans and receivables (including cash and cash equivalents)	–	1,746	582
Financial liabilities			
Financial liabilities measured at amortised cost	29	7,223	24,855

(f) *Fair value measurement*

The carrying amounts of the Target Group's financial instruments carried at cost or amortised cost are not materially different from their fair values as at the end of the Relevant Periods.

21 BUSINESS COMBINATIONS

(a) During the Relevant Periods, the Target Company acquired controlling interests in a number of companies. The details of the acquisitions are as follows:

Name of subsidiaries	Date of acquisition	% of equity interests acquired
Top Banana	9 December 2014	100%
Mooff Games	23 December 2014	73.4%
Side Quest	22 December 2014	85%
Smart City	9 March 2016	70%

The principal activities of the above subsidiaries were disclosed in note 1.

(b) The fair value of the identifiable assets and liabilities acquired and the goodwill aroused as at the respective dates of the acquisitions are as follows:

	2015				2016
	Top Banana	**Mooff Games**	**Side Quest**	**Total**	**Smart City**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Deferred tax assets	2	85	209	296	1,490
Property, plant and equipment	–	18	98	116	75
Intangible assets	–	–	–	–	18,568
Trade and other receivables	–	55	245	300	166
Cash and cash equivalents	–	64	1,009	1,073	106
Deferred tax liabilities	–	(3)	(16)	(19)	(3,069)
Other payables and accruals	(32)	(625)	(106)	(763)	(9,384)
Net identifiable (liabilities assumed)/assets acquired	(30)	(406)	1,439	1,003	7,952
Non-controlling interests[#]	–	108	(216)	(108)	(2,386)
Net identifiable (liabilities)/assets attributable to owners of the Target Company	(30)	(298)	1,223	895	5,566
Goodwill/(gain on bargain purchase) arising on business combinations	30	398	1,677	2,105	(3,366)
Total consideration, satisfied by cash	–	100	2,900	3,000	2,200
Net cash outflow arising on acquisition:					
Consideration paid in cash	–	100	2,900	3,000	2,200
Cash and cash equivalents acquired	–	(64)	(1,009)	(1,073)	(106)
	–	36	1,891	1,927	2,094

[#] The non-controlling interests are measured at the non-controlling interests' proportionate share of fair value of the identifiable net assets of the acquired subsidiaries.

(c) The goodwill is attributable to the synergies of the acquired businesses expected to arise after the Target Group's acquisitions. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on this acquisition is expected to be deductible for tax purposes.

Acquisition-related costs of HK$93,000 and HK$Nil have been excluded from the consideration transferred and have been recognised as "administrative expenses" in profit or loss for the year ended 31 March 2015 and 2016 respectively.

(d) Included in the revenue for the year ended 31 March 2015 is approximately HK$166,000 attributable to the additional business generated by Mooff Games. Loss for the year ended 31 March 2015 included loss of approximately HK$7,000, HK$628,000 and HK$609,000 contributed by Top Banana, Mooff Games and Side Quest respectively.

Had these business combinations been taken place on 1 April 2014, the directors of the Target Company estimate that the consolidated revenue and the consolidated loss for the year ended 31 March 2015 would have been HK$2,121,000 and HK$2,636,000 respectively.

No revenue for the year ended 31 March 2016 is attributable to the additional business generated by Smart City. Loss for the year ended 31 March 2016 includes loss of approximately HK$396,000 contributed by Smart City.

Had this business combinations been taken place on 1 April 2015, the directors of the Target Company estimate that the consolidated revenue and the consolidated loss for the year ended 31 March 2016 would have been HK$1,548,000 and HK$6,714,000 respectively.

The above pro-forma information is for illustrative purposes only and is not necessarily an indication of revenue and result of operations of the Target Group that actually would have been achieved had the acquisitions been completed on 1 April 2014 or 1 April 2015.

(e) *Change in ownership in a subsidiary without change of control*

On 9 March 2016 (immediately after the acquisition of 70% equity interest in Smart City as disclosed in note 21(a)) and on 16 March 2016, the Target Group acquired additional 30% equity interest in Smart City, for a cash consideration of HK$3,000. The carrying amount of the non-controlling interest in Smart City as at the date of acquisition was HK$2,386,000. As a result, the Target Group recognised a decrease in non-controlling interest of HK$2,386,000 and a decrease in equity attributable to owners of the Target Company of HK$2,383,000. The effect of changes in ownership interest in Target Group is summarised as follows:

	2016
	HK$'000
Carrying amount of non-controlling interest acquired	2,386
Consideration paid to non-controlling interest	(3)
Excess of consideration paid recognised in capital reserve within equity	2,383

(f) On 30 June 2015, Side Quest issued new shares to the Target Company and the non-controlling interest in proportion to their existing shareholdings, thus the Target Company and the non-controlling interest contributed a capital of HK$1,500,000 and HK$1 to Side Quest respectively. The Target Group continued to hold 85% equity interests in Side Quest.

(g) The following table lists out the information relating to subsidiaries of the Target Group which has material non-controlling interest ("**NCI**"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	2015 *(Note)*		**2016**	
	Mooff Games	**Side Quest**	**Mooff Games**	**Side Quest**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
NCI percentage	26.6%	15%	26.6%	15%
Non-current assets	178	469	244	1,032
Current assets	702	943	1,536	558
Current liabilities	(1,587)	(891)	(2,909)	(2,580)
Non-current liabilities	(5)	(13)	(3)	(8)
Net assets/(liabilities)	(712)	508	(1,132)	(998)
Carrying amount of NCI	(189)	76	(301)	(375)
Revenue	646	159	2,998	646
Loss for the period/year	(306)	(930)	(420)	(3,007)
Total comprehensive loss	(306)	(930)	(420)	(3,007)
Loss allocated to NCI	(81)	(140)	(112)	(451)
Dividends paid to NCI	–	–	–	–
Cash flows generated from/(used in) operating activities, net	118	(463)	(112)	(2,011)
Cash flows used in investing activities, net	(19)	(15)	(5)	(18)
Cash flows generated from financing activities, net	–	–	–	1,500

Note: The results and cash flows information for the year ended 31 March 2015 presented above represent that post-acquisition results and cash flows from the date of acquisition to 31 March 2015.

22 COMMITMENTS

At the end of each reporting period, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2014	**2015**	**2016**
	HK$'000	*HK$'000*	*HK$'000*
Within 1 year	–	145	116

The Target Group is the lessee in respect of its office premises held under operating leases. The leases typically run for an initial period of one year and two years for the year ended 31 March 2015 and 31 March 2016, respectively, with an option to renew the leases when all terms are renegotiated. None of the leases includes contingent rentals.

23 MATERIAL RELATED PARTY TRANSACTIONS

(a) *Key management personnel remuneration*

Remuneration for key management personnel of the Target Group, including amounts paid to a director of the Target Company as disclosed in note 8, is as follows:

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Short-term employee benefits	–	96	384
Post-employment benefits	–	5	18
	–	101	402

24 CONTINGENT LIABILITIES

The Target had no material contingent liabilities as at 31 March 2014, 2015 and 2016.

25 FINANCIAL INFORMATION OF THE TARGET COMPANY

(a) *Statements of financial position of the Target Company as at 31 March*

	2014	2015	2016
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Investments in subsidiaries	–	3,000	7,703
Current assets			
Amounts due from subsidiaries	–	2,004	14,495
Other receivable	–	–	6
Cash and cash equivalents	–	1,000	84
	–	3,004	14,585
Current liabilities			
Other payables and accruals	29	35	64
Amount due to a director	–	63	–
Amount due to a shareholder	–	5,977	22,550
	29	6,075	22,614
Net current liabilities	(29)	(3,071)	(8,029)
Net liabilities	(29)	(71)	(326)
Capital and reserve			
Share capital	1	1	1
Accumulated losses	(30)	(72)	(327)
Total deficit	(29)	(71)	(326)

(b) Statements of changes in equity of the Target Company

	Share capital	Accumulated losses	Total
	HK$'000	*HK$'000*	*HK$'000*
At 1 April 2013	1	(14)	(13)
Loss and total comprehensive loss for the year	–	(16)	(16)
At 31 March 2014 and 1 April 2014	1	(30)	(29)
Loss and total comprehensive loss for the year	–	(42)	(42)
At 31 March 2015 and 1 April 2015	1	(72)	(71)
Loss and total comprehensive loss for the year	–	(255)	(255)
At 31 March 2016			

26 EVENTS AFTER THE REPORTING PERIOD

On 8 August 2016, the shareholders of the Target Company entered into an agreement for sale and purchase with independent third party (the "**Purchaser**") whereby the shareholders of the Target Company agreed to sell and the Purchaser agreed to buy 60% of the issued share capital of the Target Company (the "**Sale Shares**") (the "**Agreement**").

Pursuant to the Agreement, the shareholders and their associates (if any) shall on or prior to the completion of the sale and purchase of the Sale Shares ("**Completion**") execute a deed of waiver in such form and substance satisfactory to the Purchaser and discharge the total amount owed by the Target Group to the shareholders or their associates (if any) as at Completion absolutely.

Up to the date of issue of this Financial Information, the shareholders and their associates (if any) has yet to execute such deed of wavier.

27 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 MARCH 2016

Up to the date of issue of this Financial Information, the HKICPA has issued a number of amendments, new standards and interpretations which are not yet effective for the year ended 31 March 2016 and which have not been adopted in the Financial Information. These include the following which may be relevant to the Target Group:

HKFRS 9	Financial Instruments[2]
HKFRS 15 and Clarifications to HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
Amendments to HKAS 1	Disclosure Initiative[1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation[1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs[1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for annual periods beginning on or after 1 January 2019

The Target Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, other than explained below regarding the impact of the adoption of HKFRS 15 and HKFRS 16, the Target Group considers that these new and revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Target Group's results of operations and financial position.

HKFRS 15 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs.

HKFRS 16 eliminates the distinction between operating and finance leases for lessee accounting and introduces a single accounting model that requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. The standard will supersede all arising standards and interpretations that relate to lease accounting.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company and any of its subsidiaries in respect of any period subsequent to 31 March 2016.

Yours faithfully,

Baker Tilly Hong Kong Limited
Certified Public Accountants
Hong Kong, 24 September 2016
Tong Wai Hang
Practising certificate number P06231

A. UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Introduction

The following is an illustrative and unaudited pro forma financial information ("**Unaudited Pro Forma Financial Information**"), comprising the unaudited pro forma statement of assets and liabilities of the Enlarged Group which has been prepared by the directors of the Company (the "**Directors**") on the basis as set out in the notes below and in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") for the purpose of illustrating the effect of the acquisition of 60% equity interest in First Surplus Investments Ltd. by the Company (the "**Acquisition**") on the financial information of the Group, assuming the Acquisition had been completed as at 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared using the accounting policies consistent with those of the Group as at 30 June 2016 as extracted from the published interim report of the Group for the six months ended 30 June 2016.

The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and is based on a number of assumptions, estimates, uncertainties and currently available information. Because of its hypothetical nature, the Unaudited Pro Forma Financial Information may not give a true picture of the financial position of the Enlarged Group had the Acquisition been completed as at 30 June 2016 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information contained in this circular and the accountant's report of the Target Group as set out in Appendix III to this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF ASSETS AND LIABILITIES OF THE ENLARGED GROUP

		Pro forma adjustments			
	The Group as at 30 June 2016	**The Target Group as at 31 March 2016**	**Other pro forma adjustments**	**Notes**	**The Enlarged Group**
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	Note (1)	*Note (2)*			
Non-current assets					
Property, plant and equipment	50,817	170	–		50,987
Intangible assets	2,624	18,568	67,633	*(4)*	88,825
Goodwill	21,666	2,105	75,365	*(3)*	99,136
Contingent consideration assets for business combination	–	–	25,723	*(5)*	25,723
Deferred tax assets	–	3,427	–		3,427
	75,107	24,270	168,721		268,098
Current assets					
Inventories	37	–	–		37
Trade and other receivables	16,521	488	–		17,009
Loans receivable	153,800	–	–		153,800
Interest receivables	3,518	–	–		3,518
Prepayment option embedded in promissory note issued	–	–	23	*(5)*	23
Current tax recoverable	79	–	–		79
Cash and cash equivalents	34,075	366	(40,000)	*(5)*	(5,559)
	208,030	854	(39,977)		168,907

	The Group as at 30 June 2016	Pro forma adjustments: The Target Group as at 31 March 2016	Pro forma adjustments: Other pro forma adjustments	Notes	The Enlarged Group
	HK$'000	*HK$'000*	*HK$'000*		*HK$'000*
	Note (1)	*Note (2)*			
Current liabilities					
Bank overdrafts, unsecured	–	380	–		380
Other payables	1,308	1,924	2,322	*(7)*	5,554
Financial assistance from government	242	–	–		242
Deferred income	3,607	–	–		3,607
Amount due to a shareholder	–	22,550	(22,550)	*(4)*	–
Current tax liabilities	139	–	–		139
	5,296	24,854	(20,228)		9,922
Net current assets/(liabilities)	202,734	(24,000)	(19,749)		158,985
Total assets less current liabilities	277,841	270	148,972		427,083
Non-current liabilities					
Financial assistance from government	46	–	–		46
Deferred tax liabilities	288	3,084	11,159	*(4)*	14,531
Consideration payable for business combination	–	–	106,837	*(5)*	106,837
	334	3,084	117,996		121,414
Net assets/(liabilities)	277,507	(2,814)	30,976		305,669

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

Notes:

1. The amounts are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 June 2016 included in the published interim report of the Group for the six months ended 30 June 2016 dated 12 August 2016.

2. The amounts are extracted from the audited consolidated statement of financial position of the Target Group as at 31 March 2016 as set out in Appendix III to this circular.

3. The adjustment on goodwill of approximately HK$75,365,000 resulted from the Acquisition is calculated as follows:

	HK$'000
Fair value of consideration *(Note 5)*	121,091
Non-controlling interests	30,484
Less: Fair value of net identifiable assets *(Note 4)*	(76,210)
Goodwill	75,365

In accordance with Hong Kong Financial Reporting Standard 3 (Revised) "Business Combinations" ("**HKFRS 3**"), goodwill represents the excess of the aggregate of the fair value of the consideration transferred and the amount of non-controlling interests in the Target Group over the net fair value of the Target Group's identifiable assets and liabilities measured as at 30 June 2016.

Non-controlling interests are measured at the non-controlling interests' proportionate share of the net fair value of the Target Group's identifiable net assets and liabilities, i.e. 40% of HK$76,210,000.

Pursuant to the agreement for sale and purchase dated 8 August 2016 entered into between Hyper Venture Limited, a wholly-owned subsidiary of the Company (as the "**Purchaser**"), Mr. Yiu Wing Hei and Triumph Team Ventures Limited (as the "**Vendors**") and the Company (as the "**Guarantor**") in relation to the Acquisition (the "**Agreement**"), the consideration of HK$150,000,000 (the "**Consideration**") shall be paid by the Purchaser to the Vendors (or its nominee(s)) as to:

(i) HK$40 million in cash as refundable deposit to be paid within one-month after the date of the Agreement;

(ii) HK$110 million by the issuance of the promissory note (the "**Promissory Note**") at 5% per annum. The principal and accrued interest thereon are wholly repayable on the date immediate following 2 years after the date of issue of the Promissory Note to the Vendors (or their nominees) upon the completion of the Acquisition (the "**Completion**"). Pursuant to the Agreement, the principal may be prepaid in full or in part by the Company at any time together with interest accrued thereon without penalty by giving no less than 7 business days prior notice in writing to the holders of the Promissory Note (the "**Prepayment Option**").

Pursuant to the Agreement, the Vendors guarantee to the Purchaser that the audited consolidated net profit after taxation of the Target Group for the twelve full months immediately following Completion ("**2017 Profit**") shall not be less than HK$14,200,000 (the "**Profit Guarantee**"). The Purchaser shall have the rights to sell the 60% equity interest in First Surplus Investments Ltd. (the "**Sale Shares**") to the Vendors at the price equivalent to the Consideration, whereupon the Vendors shall have the obligation to purchase the Sale Shares at such price in the event that the

Target Group fails to meet the Profit Guarantee (the "**Put Option**") within a period of 6 months after the date of approval of the audited financial statements of the Target Group (the "**Exercisable Period**").

The Directors have reviewed the carrying value of goodwill of the Target Group in accordance with Hong Kong Accounting Standard 36 "Impairment of Assets" ("**HKAS 36**"), taking into account the assessment result carried out by an independent valuer, Ascent Partners Valuation Service Limited (the "**Valuer**"). Based on the assessment result, the Directors are of the opinion that there are no indications that the value of the goodwill of the Target Group may be impaired.

The Directors are of the view that the Target Group is a growing business and there are no significant changes with an adverse effect on the Target Group that will take place in the near future.

The Directors will adopt the consistent accounting policies in accordance with HKFRS 3 as principal assumptions to assess the goodwill in the future.

4. The fair value of net identifiable assets acquired is calculated as follows:

	HK$'000
Carrying amount of net identifiable liabilities assumed *(Note 4a)*	(2,814)
Waiver of amount due to Vendors and their associates (if any) by the Target Group *(Note 4b)*	22,550
Fair value adjustment to the intangible assets *(Note 4c)*	67,633
Deferred tax liabilities *(Note 4c)*	(11,159)
Fair value of net identifiable assets acquired	76,210

(a) The carrying amount of net identifiable liabilities assumed as at 30 June 2016 equals to the net liabilities of the Target Group as at 31 March 2016. For the purpose of this Unaudited Pro Forma Financial Information, it is assumed that the net liabilities of the Target Group as at 30 June 2016 are not materially different from that as at 31 March 2016.

(b) Pursuant to the Agreement, the Vendors and their associates (if any) shall on or prior to Completion execute a deed of waiver in such form and substance satisfactory to the Purchaser and discharge the total amount owed by the Target Group to the Vendors or their associates as at Completion absolutely.

(c) These represent the increment of the fair value of the intangible assets and the corresponding deferred tax liabilities as at 30 June 2016 over the carrying amount of the same intangible assets included in the carrying amount of net identifiable liabilities assumed as at 31 March 2016, as follows:

(i) The fair value of the intangible assets as at 30 June 2016 is approximately HK$86,201,000 which is determined with reference to valuation carried out by the Valuer. The corresponding deferred tax liabilities as at 30 June 2016 approximate to HK$14,223,000 and is calculated by multiplying the fair value of the intangible assets by the Hong Kong Profits Tax rate of 16.5%.

(ii) Included in the carrying amount of net identifiable liabilities assumed is the carrying amount of the same intangible assets of HK$18,568,000 and the corresponding deferred tax liabilities of HK$3,064,000.

The above-mentioned intangible assets of HK$18,568,000 represent the fair value of a mobile game produced by Smart City Technology Limited, a subsidiary acquired by the Target Company on 9 March 2016 and meet the recognition criteria of Hong Kong Accounting Standard 38 "Intangible Assets".

5. The Consideration comprises: (a) cash; (b) a Promissory Note with an embedded Prepayment Option; and (c) the Put Option. The fair value of the Consideration at the Completion, as if the Acquisition had been completed on 30 June 2016, is calculated in accordance with HKFRS 3, as follows:

	Contractual amount	Fair value of the Consideration	
	HK$'000	*HK$'000*	
Consideration settled by cash	40,000	40,000	
Prepayment option embedded in the Promissory Note issued	–	(23)	*(Note 5a)*
Consideration payable by Promissory Note	110,000	106,837	*(Note 5a)*
Contingent consideration assets – Put Option	–	(25,723)	*(Note 5b)*
	150,000	121,091	

(a) The fair value of the consideration payable by Promissory Note is measured as the fair value of the Promissory Note as if the Promissory Note was issued without the Prepayment Option on 30 June 2016.

The fair value of the Promissory Note as if the Promissory Note was issued without the Prepayment Option is measured by discounting the total contractual undiscounted cash outflows of HK$121,000,000, being the aggregate of the principal of HK$110,000,000 and the accrued interest thereon of HK$11,000,000, at the discount rate of 6.42% as determined by the Directors with reference to valuation carried out by the Valuer, as if it is to be paid on 30 June 2018, being 2 years after the date of issue of the Promissory Note. The discount rate of 6.42% comprises the risk free rate of 0.47%, a credit spread of 4.00% and a liquidity spread of 1.95%. The imputed interest expenses thereon shall have continuing effect on the financial statements of the Enlarged Group in subsequent years. Actual amount of the imputed interest will vary with the discount rate of the consideration payable to be reassessed upon the Completion.

The fair value of the Prepayment Option as at 30 June 2016 (as if the issuance date) is determined by the Directors with reference to valuation carried out by the Valuer and is measured based on Binomial Lattice model.

The Prepayment Option embedded in the Promissory Note issued and the consideration payable by Promissory Note form part of the Consideration, and are required to be measured at fair value in accordance with HKFRS 3.

(b) The fair value of the Put Option is determined by the Directors with reference to valuation carried out by the Valuer, and is calculated by multiplying the value of the Put Option of approximately HK$57,805,000 and the probability of the Put Option being exercised of 44.50%.

Value of the Put Option

The value of the Put Option as at 30 June 2016 (as if the issuance date) of HK$57,805,000 is measured based on Binomial Lattice model, with the principal assumptions as follows:

Market price	HK$153,360,000 *(note (i))*
Exercise price	HK$150,000,000 *(note (ii))*
Expected volatility	80.55% *(note (iii))*
Option life	6 months from 1 September 2017 to 28 February 2018 *(note (iv))*
Expected dividend	Nil
Risk-free interest rate	0.469% *(note (v))*

Note:

(i) The market price represents the estimated fair value of 60% equity interest of the Target Group as at 30 June 2016, being HK$255,600,000, as extracted from page 28 of Appendix V of this circular, which forms part of the valuation report of the Target Group included in Appendix V of this circular.

(ii) The exercise price represents the price that the Purchaser could sell the 60% equity interest in First Surplus Investments Ltd. to the Vendors in the event that the Target Group fails to meet the Profit Guarantee.

(iii) The expected volatility of the market price of the Target Group is determined by reference to the average volatility in stock prices, as obtained from Bloomberg, of the adopted guideline public companies as disclosed in page 22 of Appendix V of this circular, which forms part of the valuation report of the Target Group included in Appendix V of this circular.

(iv) The audited financial statements of the Target Group is assumed to be available in 2 months after the end of the period of the Profit Guarantee (i.e. 31 August 2017). As such, the Exercisable Period will be from 1 September 2017 to 28 February 2018.

(v) The risk-free rate is calculated by linear interpolation of the 1-year and 2-years Hong Kong Sovereign Bond yield as at 30 June 2016, as obtained from Bloomberg.

Probability of the Put Option being exercised

The forecasted net profit after taxation of the Target Group in the cash flow forecast prepared by the Directors is assumed to be the 2017 Profit which exceeds the Profit Guarantee. In deriving the probability of meeting and not meeting the Profit Guarantee, the mean and standard deviation of the forecasted net profit after taxation of the Target Group is calculated using the mean and standard deviation of net profit after taxation of the adopted guideline public companies as disclosed in page 22 of Appendix V of this circular, which forms part of the valuation report of the Target Group included in Appendix V of this circular. The results indicate that the probability that the Target Group would meet and fail to meet the Profit Guarantee is 55.50% and 44.50% respectively. Should the Target Group fail to meet the Profit Guarantee, it is further assumed that the Purchaser must exercise the Put Option during the Exercisable Period of the Put Option. Accordingly, the probability of the Put Option being exercised of 44.50%.

The Put Option is an asset resulting from a contingent consideration arrangement. Such contingent consideration asset is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination in accordance with HKFRS 3.

6. Since the fair value of the net identifiable assets of the Target Group and the fair value of the Consideration at the Completion may be substantially different from the fair value used in the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the final amounts of the net identifiable assets (including intangible assets) and goodwill to be recognised in connection with the Acquisition may be different from the amounts presented here and the differences may be significant.

7. The adjustment represents estimated acquisition-related costs, which consist of mainly the professional fees directly attributable to the Acquisition, of approximately HK$2,322,000.

8. 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 of the Enlarged Group entered into subsequent to 30 June 2016.

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

The following is the text of a report, prepared for the sole purpose of inclusion in this Circular, received from the independent reporting accountants of the Company, Baker Tilly Hong Kong Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information of the Group as set out in Section A of Appendix IV to this Circular.

BAKER TILLY
HONG KONG|天職香港

2/F.,
625 King's Road
North Point
Hong Kong

To the Directors of Aurum Pacific (China) Group Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Aurum Pacific (China) Group Limited (the "**Company**") and its subsidiaries (collectively the "**Group**"), and First Surplus Investments Ltd. and its subsidiaries (the "**Target Group**") (collectively the "**Enlarged Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities as at 30 June 2016 and related notes as set out on pages IV-1 to IV-7 of the circular dated 24 September 2016 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on pages IV-3 to IV-7 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of 60% equity interest in First Surplus Investments Ltd. by the Company (the "**Acquisition**") on the Group's financial position as at 30 June 2016 as if the Acquisition had taken place at 30 June 2016. As part of this process, information about the Group's consolidated assets and liabilities as at 30 June 2016 has been extracted by the Directors from the Group's unaudited condensed consolidated financial information for the six months ended 30 June 2016, on which an interim 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 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "**GEM Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the GEM 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 an investment circular is solely to illustrate the impact of a significant event or transaction on the 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 Acquisition as at 30 June 2016 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 accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, 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 on the basis stated;

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

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

Baker Tilly Hong Kong Limited
Certified Public Accountants

Hong Kong

24 September 2016

ASCENT PARTNERS
Together We Flourish

Date : 24 September 2016

The Board of Directors
Aurum Pacific (China) Group Limited
22/F, Hua Fu Commercial Building,
111 Queen's Road West,
Hong Kong.

Dear Sir/Madam,

RE: Valuation of 100% Equity Interest in First Surplus Investments Limited

In accordance with the instruction of Aurum Pacific (China) Group Limited (the "**Company**"), we have undertaken a valuation to determine the fair value of 100% equity interest in First Surplus Investments Limited ("**First Surplus**"), as at 30 June 2016 (the "**Valuation Date**").

This report outlines the factors considered, valuation methodology, basis and assumptions employed in formulating our opinion and our conclusion of value.

Ascent Partners Valuation Service Limited ("**Ascent Partners**") is an independent firm providing full range of valuation and advisory services. This report is prepared independently. Neither Ascent Partners nor any authors of this report hold any interest in the Company or its related parties. The fee for providing this report is based on Ascent Partners' normal professional rates, whilst expenses (if incurred) are being reimbursed at cost. Payment of fees and reimbursements are not contingent upon the conclusions drawn in this report.

1. PURPOSE OF VALUATION

The purpose of this valuation is to express an independent opinion on the fair value of First Surplus as at the Valuation Date. This report outlines our latest findings and valuation conclusion, and is prepared solely for the management of the Company for public disclosure purpose.

2. SCOPE OF WORK

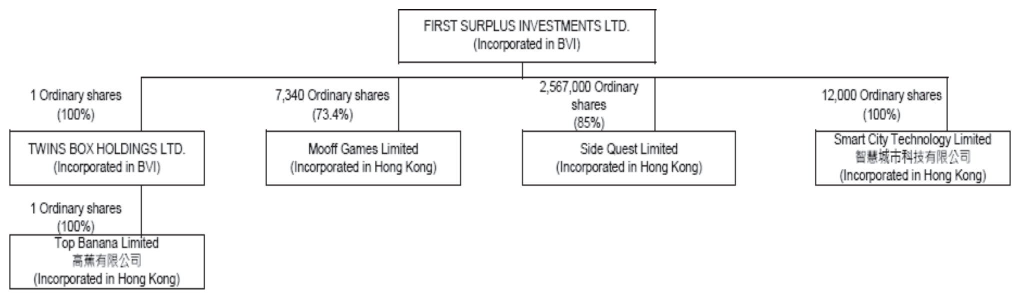
In conducting this valuation exercise, we have

- Co-ordinated with the Company representatives to obtain the required information and documents for our valuation;
- Gathered the relevant information of First Surplus, including the legal documents, licenses, financial statements, projections, etc. made available to us;
- Discussed with the management of First Surplus (the "**Management**") and the Company to understand the history, business model, operations, customer base, business development plan and profit forecast, etc. of the business enterprises for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of First Surplus made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated fair value of First Surplus; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Company, First Surplus and its authorized representatives.

3. BACKGROUND OF FIRST SURPLUS

First Surplus is a comprehensive digital entertainment group. It has four subsidiaries, namely Smart City Technology Limited ("**Smart City**"), Top Banana Limited ("**Top Banana**"), Side Quest Limited ("**Side Quest**") and Mooff Games Limited ("**Mooff Games**"). The group structure of First Surplus is shown below:



The major businesses of First Surplus' four subsidiaries are summarised as below:

Name of subsidiary	**Business description**
Smart City	Game developer
Top Banana	Game publisher
Side Quest	Solution provider
Mooff Games	Game developer

As a game developer, First Surplus' games have achieved a total worldwide downloads of around 6 million in the past 4 years. As a game publisher, First Surplus successfully sub-licensed the recent title it has been developing, Heroes Flick, to Playpark Company Limited, a subsidiary of Asiasoft Corporation Public Company Limited, one of the biggest game publishers in South East Asia, for distribution in 12 countries. As a solution provider, First Surplus has served prestigious international brands such as Disney, Cartoon Network, Nokia, Intel, and local organization such as TVB, MTR and Fire Service Department. The goal of First Surplus is to become the biggest digital entertainment hub, owning and publishing game content and IPs, operating digital platforms, and providing digital solution in Hong Kong and Taiwan that connects content between the East and the West.

The major income of First Surplus is expected from a mobile game called Heroes Flick. Heroes Flick is developed by Smart City. As per the Management, Heroes Flick will be rolled out in August 2016. The publishing of Heroes Flick in Hong Kong and Taiwan would be responsible by Top Banana. In addition to Hong Kong and Taiwan, the game was published in China, Japan, South Korea, and other South East Asia countries, by local publishers. As per the Management, the negotiations with local publishers are in progress as at the Valuation Date.

According to the agreement between Apple Inc. ("**Apple**") and First Surplus, Apple shall be entitled to a commission equal to 30% of all prices payable by each volume purchase program customer, which is considered to be the channel cost of Google and iOS app store.

4. INDUSTRY OVERVIEW

Mobile Game Definition

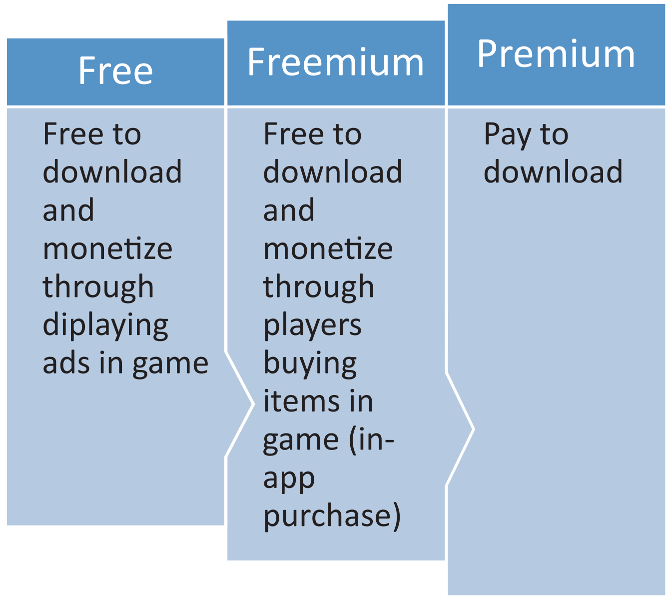
A mobile game is a type of video game that people can play on their featured phones, smartphones, smartwatches, PDAs, tablet computers, portable media players or even calculators. The earliest known mobile game was a Tetris variant on the Hagenuk MT-2000 device from 1994. Nowadays, mobile games are usually downloaded from app stores as well as mobile operator's portals, but in some cases are also internally preloaded by the OEM (original equipment manufacturer) or the mobile operator when purchased. This process can occur via infrared connection, Bluetooth, memory card or side loaded onto the handset with a cable.

Mobile games have been developed to run on a wide variety of platforms and technologies. These include the (today largely defunct) Palm OS, Symbian, Adobe Flash Lite, NTT DoCoMo's DoJa, Sun's Java ME, Qualcomm's BREW, WIPI, Blackberry, Nook and early incarnations of Windows Mobile. So far, the most widely supported platforms are Apple's iOS and Google's Android. The mobile version of Microsoft's Windows 10 (formerly Windows Phone) is also actively supported, although in terms of market shares, it remains marginal compared to the iOS and Android.

Typical Mobile Game Business Model

Commercial mobile games use one of the following monetization models: pay-per-download, subscription based, free-to-play ("**freemium**") or advertising-supported. Until recently, the main option for generating revenues was a simple payment upon downloading the game. Subscription business models also existed and had proven popular in some markets (notably Japan) but were rare in Europe. Today, a number of new business models have emerged which are often collectively referred to as "freemium". The game download itself is typically free, however revenue is generated after the download through in-app transactions or advertisements.

Diagram 1: Typical Mobile Game Business Model



Source: *First Surplus corporate profile*

Mobile Game Supply Chain

China's Mobile Game Supply Chain includes the following 4 key components: game development, game operation, telecommunication and gamers. Amongst these components, mobile game companies consider game development and game operation as the most important aspect in realizing profit.

Diagram 2: Mobile Game Supply Chain

Source: *Mobile Game Industry Insight 2014, PwC*

Game Development

Game development is a process where that game developers or game development studios craft the vital components of a mobile game, i.e. designing the game interface, producing game prototypes, and writing or programming the game's code.

There are two ways to develop games: self-development or third-party delegations. Self-development means that mobile game companies will develop the game independently. Third-party delegations mean that mobile game companies provide the idea of the mobile game, but outsource the production to other mobile game developers.

Game Operation

Diagram 3: Mobile Game Operation

Source: *Mobile Game Industry Insight 2014, PwC*

Game operation refers to the process that brings mobile games into the market though game release, promotion, and so on. This routine is to make the players more aware, understand and play their games, which will coax them into becoming loyal premium users.

Game Operation includes six aspects: marketing, product launch/channel, customer service, server hosting, pricing with specific modification control, and payment methods.

1. Marketing – the online/offline launch and advertisement of mobile games through various promotional activities. Online advertisements promote the mobile game through various websites and partners by means of pictures and videos. Low cost and high pertinence are the advantages of online advertising. Offline advertising is to publicize the release of the mobile games in a crowded area, such as subways, office buildings or internet cafes. The objective of offline advertising is to strengthen the reputation of their mobile game brand.

2. Launch/Channel – the launch and sale channels of the mobile games. So far, the download and sale channels are almost all from app stores for different mobile phones. For example the iPhone App Store has the highest download volume in comparison to its competitors. Other app stores include: Android, Wandoujia, Xiaomi, 91 assistant and so on.

3. Online Servers – the network for mobile games. Games companies need to update and maintain the servers regularly to ensure their products will run smoothly, preventing bad reviews due to server instability.

4. Gameplay and Pricing. A game's price will affect its users' loyalty and willingness to pay. Besides, the balance between players also needs to be considered. Specific modification control is used to adjust the players' features to make the games more attractive.

5. Customer Service – the most important, post sales, part of the mobile games business. In order to make their mobile game popular, mobile game companies take feedback from their players seriously. The criticism will improve the game in a later stage, and companies will also develop more types of games based on the players' opinions. That is why mobile game companies have customer service to all their mobile games. Generally, online customer services can be found on their home pages, so that players can provide feedback more conveniently. In addition, there are game forums and hubs for players to socialize, as well as a customer service hotline for inquires and feedback.

6. Payment – the ways the money for the games are collected. A smooth payment channel is key to consider in the games business. There are essentially several payment channels: telecom operators take advantage of payment through their phone bill services; online payments can be confirmed by third-party payment platforms such as Alipay, Kuaiqian, Caifutong; banks allow players to pay online using their credit cards in e-payment methods; app stores provide payment services as well through rechargeable app store credits.

Telecommunication Service

Telecommunication services are specifically tailored to the internet communication services provided for mobile games. Mainland China recently has three company giants running telecommunication operations: China Mobile, China Unicom and China Telecom. Despite the Chinese ministry delivering 11 virtual operation licenses to other companies, the basic mobile internet operations and facilities are all held by these three telecommunications companies. During this time, the three telecommunication giants collaborated using Wi-Fi to advance the operation of mobile game environments from 2G, 3G to 4G.

Gamers

The player/gamer is the final link to the mobile game industry, as the success of a game depends on retaining the rate of players. There are fundamentally three reasons that will drive users to keep playing:

1. Sense of Accomplishment: A sense of accomplishment is the traditional way for mobile games to maintain their number of players. Mobile game designers will observe the mentality of their players and develop missions that they can handle. Completing missions will help players to develop a strong sense of accomplishment.

2. Curiosity: In order to form a mysterious and compelling atmosphere, mission awards are kept in secret, thus arousing the curiosity of the players. Due to this strategy, most users have the incentive to complete missions to not only get the awards but to also satisfy their curiosity.

3. Engaging Story: Usually an interesting or captivating story opening will be presented to the mobile gamers, where as they have to complete the following mission to view the subsequent content. Most mobile games follow this method as a way to increase the playing motivation.

To conclude, all motivations of mobile games are usually important reference for the development and operation. In order to ensure a successful future for mobile games industry development, mobile game companies will not only need to improve their games but also improve their game through the players' point of view.

Mobile Game Categories

In terms of function, China's mobile games can be categorized into 14 types: Cards (CAD), Action (ACT), Adventure (AVG), Role-Playing (RPG), First Person Shooters (FPS), Racing (RAC), Sports (SPG), Strategy (SLG), Simulation (SIM), Music (MSC), Fighting (FTG), Puzzles (PUZ), Shooting (STG), and Multiplayer Online Battle Arena (MOBA). Mobile games in light of number of players can be also divided into:

Single-player mobile games

Single-player mobile games only need input from only one player throughout the course of the gaming session. It usually doesn't need internet or online servers to play as well. Gamers can simply play the game on his/her mobile phone or tablet anywhere, anytime without the limitations of internet access. Normally, single-player games rely heavily on compelling stories to immerse the player into the experience as well as to create a sense of investment. Nowadays, most mobile arcade games and modern console games are designed so that they can be played by an individual user; although many of these games have modes that allow two or more players to play (not necessarily simultaneously). Very few actually require more than one player for the game to be played.

Below are some examples of Single-player mobile games:

Table 1 Multi-player mobile games

Game Name	**Developer(s)**	**Type**
Angry Birds	Rovio Entertainment	PUZ
Plants vs Zombies	Popcap Games	SLG
Temple Run	Imangi Studios	RAC
Candy Crush	King Limited	PUZ
Monument Valley	Ustwo Game	SLG
Carrot Fantasy	Kai Luo Tian Xia Technology	SLG
Fishing Joy	Chukong Technologies	PUZ
Marvel Future Fight	Netmarble Games	FTG

Opposite to single-player mobile games, multi-player mobile games (or "**Online Games**") require a strong internet or Bluetooth connection. With this limitation, the game cannot be played anywhere with no access to the internet.

There are several ways to play multiplayer games on a mobile phone: live synchronous (real-time) tournaments and turn-based asynchronous tournaments. In real-time tournaments, random players from around the world are matched together to compete. This is done using different networks including Game Center, Google+, Twitter, Weibo, Line, and Facebook.

In asynchronous tournaments, the method used by game developers centers around the idea that game matches are recorded and then broadcasted to other players in the same tournament after a delay. Asynchronous gameplay resolves the issue of players needing to have a continuous live connection. This play style is different, as players take individual turns, therefore allowing players to continue playing against human opponents.

Below are some examples of Multi-player mobile games:

Table 2 Characteristics of the Mobile Game Industry

Game Name	Developer(s)	Type
Puzzle and Dragon	Gungho Entertainment	PUZ
Tower of Saviors	Mad Head	PUZ
Clash of Clans	Supercell	SLG
Clash Royale	Supercell	SLG
DOTA Legend	Lilith Games	CAD
Heartstone Heroes of Warcraft	Blizzard Entertainment	PUZ
Summoners War Sky Arena	Com2us	RPG
Fangkainasanguo	Babeltime	RPG
Epic Heroes	Locojoy	RPG
Thunder Fighter	Tencent Games	ACT

According to the mobile game industry overview published by PwC:

Portability – Most mobile games can be played on mobile phones, which make the concept of playing a game anywhere possible. This makes mobile games more portable and flexible than traditional games, which can be only played at home or a set gaming room. Thus mobile games have won young people's favour in today's video game market.

Interruptible – A mobile game being interruptible is an important characteristic of mobile games which differentiates itself from the traditional game on a video game console. Today's mobile games allow gamers to pause their game session and switch to different applications ("**apps**") and resume the gaming process anytime. This allows gamers to easily schedule their work and entertainment hours.

Social Interaction – Social interaction is another key aspect of a mobile game. With such a characteristic, gamers can easily connect to other gamers and discuss limitless topics including but not limited to the game. Some gamers even got married after meeting in an online mobile game.

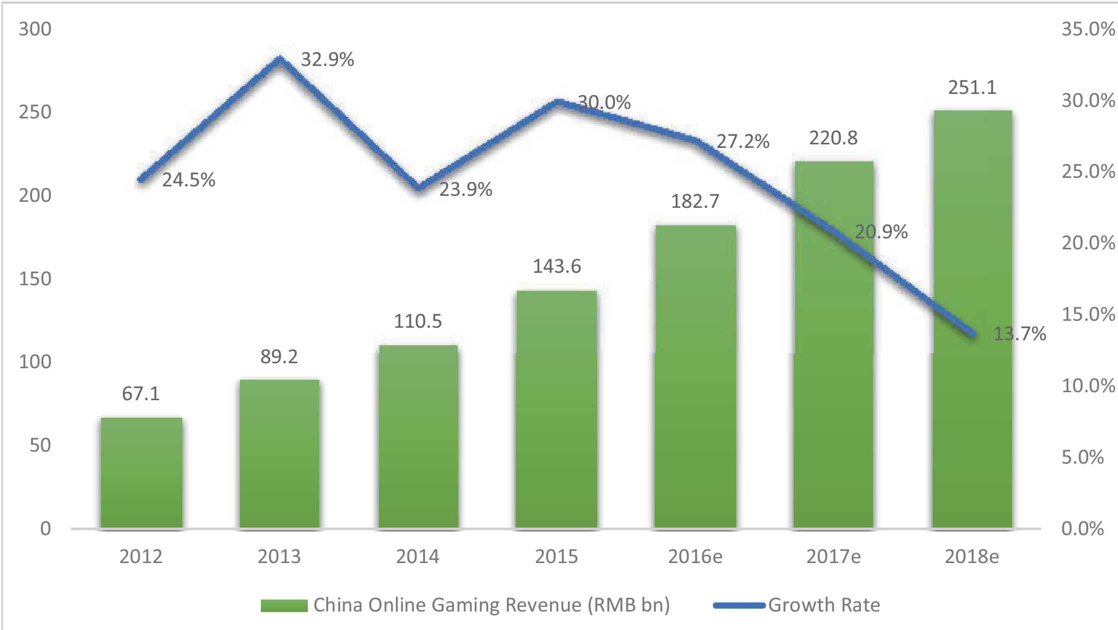
Easy Gaming – Mobile games tend to be small in scope (in relation to mainstream PC and console games). Many prioritize innovative design and ease of play over visual spectacle/graphics. Storage and memory limitations (sometimes dictated at the platform level) place constraints on mobile games, hence ruling out the direct migration of many modern PC and console games to mobile.

China's Mobile Game Industry Overview

According to iResearch, the 2015 revenue of China's mobile game market reached RMB51.46 billion, and saw an increase of 103.8% last year. It is clear that this increase is the key catalyst for the growth of the online gaming market, which in turn pushed China's online gaming revenue up to RMB140 billion. Moreover, the proportion of mobile gaming in the online gaming market rise to 39.2%, while in 2015, the web client's game share dropped to less than 50% in China. Besides, in 2015 a share of web-browser games began to fall and was expected to be less than 10% in 2018. This is due to the slow improvement of web-browser game quality, which didn't retain a large number of gamers during 2011 and 2014; most likely leading to a decelerating growth in the future. On the other hand, in 2015, the mobile game player base reached 396 million; increasing 10.9% from last year. The fast growing player size has gone beyond the size of PC players and web-browser players, becoming the largest gaming group in China. In short term, the mobile game industry is not likely to be replaced by new comers. However, new technology like Virtual Reality (VR) games are starting to draw the attention of young gamers, which makes them large competitors to the mobile game industry.

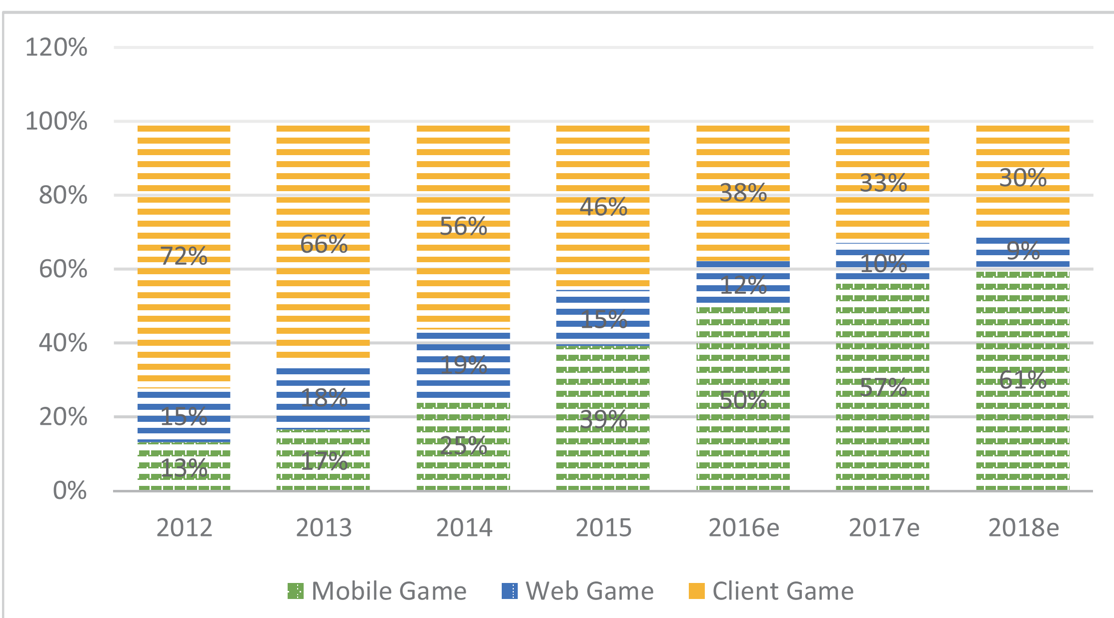
The growth of the China online gaming market can be attributed to the following reasons. Firstly, the increasing use of optic fiber networks and 4G mobile networks laid solid hardware foundation for the development of online games. Secondly, with the improvement of people's living standard in China, the demand for entertainment has increased. What's more, creative business and operation models bring more possibility to the industry. However the population bonus is gradually disappearing, and the online gaming revenue growth will gradually decelerate. It is expected that the market will enter a stable development stage in 2020. In China, mobile games have become the key engine for growth for the online gaming market, leaving web-browser games in the dust.

Diagram 4: China Online Gaming Revenue Growth Rate



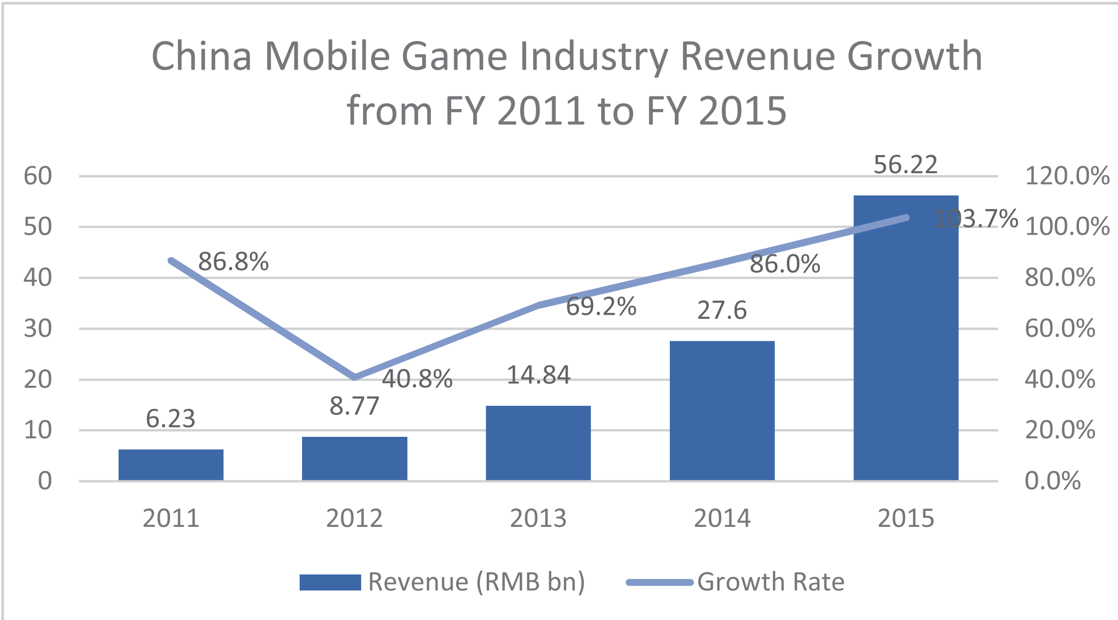
Source: *iResearch*

Diagram 5 : China Online Gaming Revenue Growth Rate



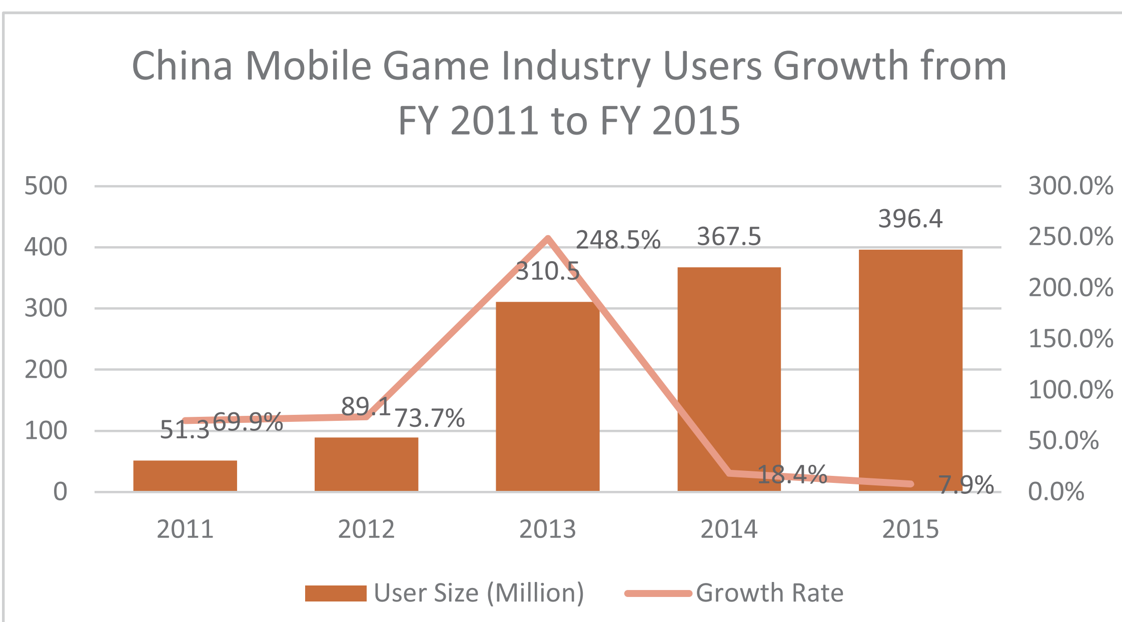
Source: *iResearch*

Diagram 6 : Market Structure of China Online Gaming 2011-2015



Source: iResearch

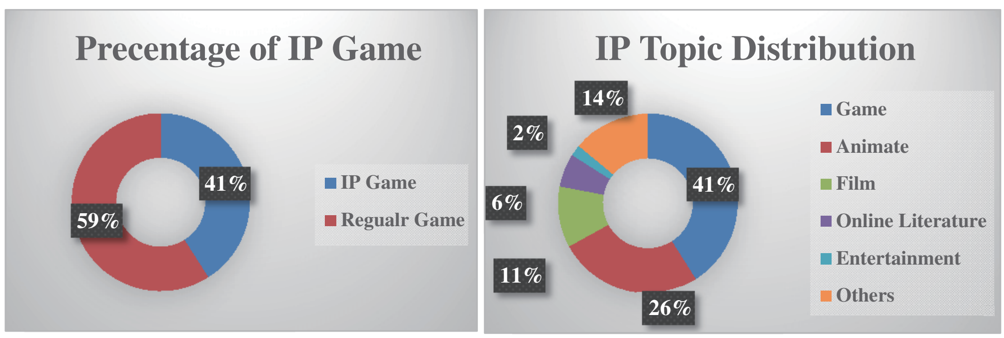
Diagram 7 : China Mobile Game Industry Users Growth from FY 2011 to FY 2015



Source: DataEye

In 2015, more and more cross-over collaborations were carried out between mobile games and literature, film, animation and other fields. Many hot topics such as popular film stars and animation characters began to be integrated into newer issued mobile games. People who never played games before are easily attracted and willing to try a game with relation to their beloved fictional/real character; dealt through means of "Intellectual property". Hence a pan-entertainment ecosystem focusing on intellectual property ("**IP**") is gradually formed. In China's 2015 mobile game market, IP games represented 16% of revenue in the single-player mobile game market and 41% revenue in the multiplayer mobile game market. Game and animation topic account for 41% and 26% of the IP mobile games.

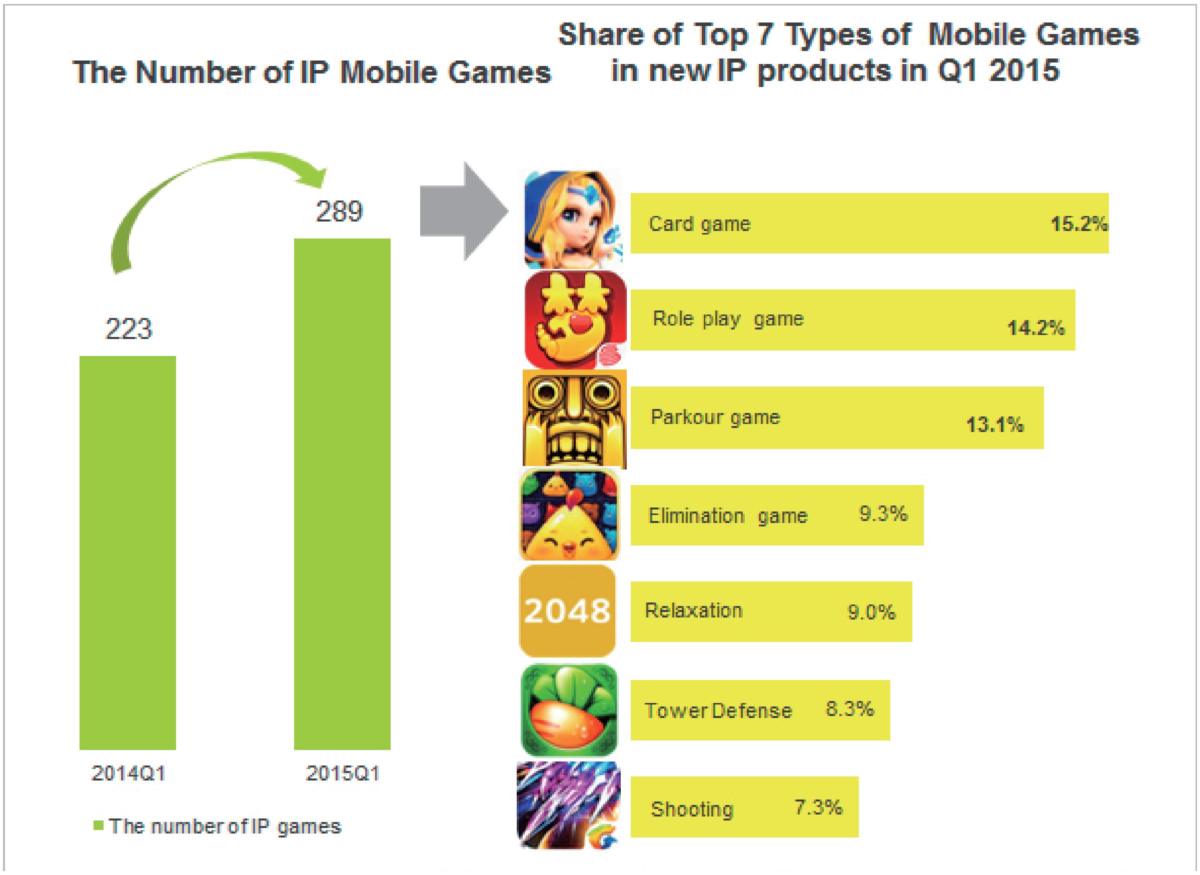
Diagram 8 : Precentage of IP Game and IP Topic Distribution



Source: *DataEye*

However, according to iResearch, it is believed that the IP game market isn't mature at the present time. Characters and plot in the original IP games can easily be migrated to a variety of games, i.e. card games, role playing games and parkour games, thus the games are easily recreated, leading to a high concentration of this mobile phone game kind.

Diagram 9 : The Number of IP Mobile Games in Q1 2015

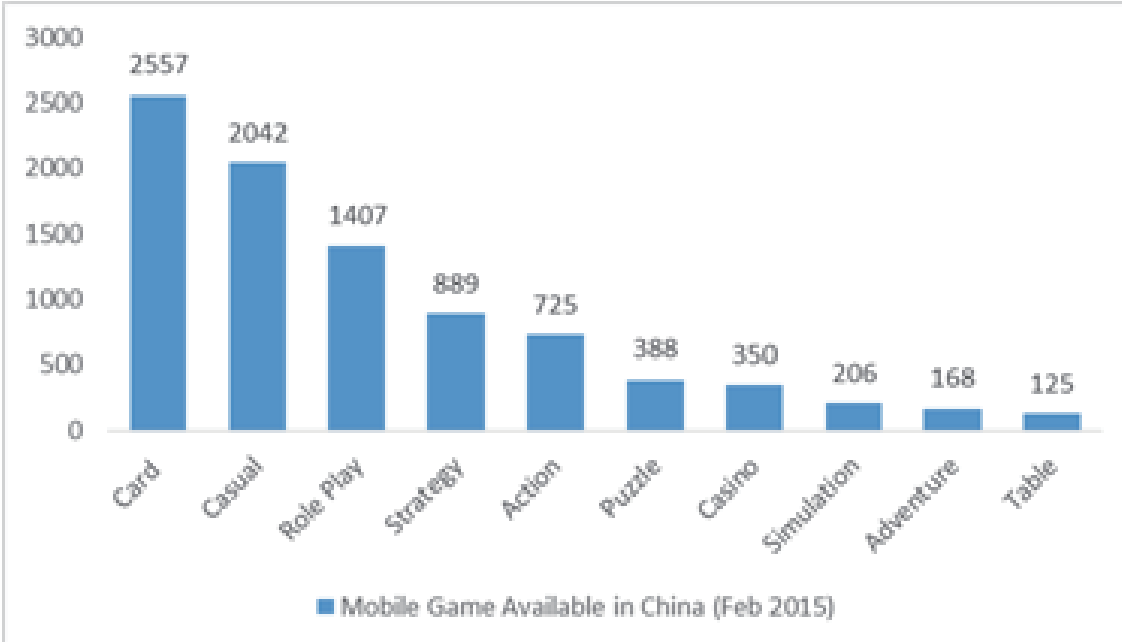


Source: iResearch

According to China Mobile Games Center 2015 Report, nowadays Chinese mobile users who use gaming apps spend an average of 35 minutes a day playing. This is the highest time spent from all the phone apps. Chat app users spend around 18 minutes a day chatting and reading app users spend an average of 10 minutes a day reading. Finance and navigation apps are the least engaging of the three with a user average of around 5 minutes spent per day.

Card games are by far the most popular genre in China and show the fastest growth in terms of number of games published. There were more than 2,500 mobile card games available for users to download by February 2015. The Chinese market is very unique in that card games and role-playing games do very well on mobile. Card games fit the Chinese appetite for a bite-size mobile gaming experiences, and retention rates for card games are higher than all other game genres.

Diagram 10 : Mobile Game Available in China (Feb 2015)



Source: *Talking Data 2015*

Mobile gamers mainly live in regions along the eastern coastline of China, with the highest concentration in Guangdong (11.6%), followed by Jiangsu (7.0%) and Zhejiang (6.7%). Interestingly, people in different tier 1 (modern developed) cities show varying preferences for their apps. Beijing users have a higher need for taxi-hailing apps, while Shanghai users prefer finance management apps; Shenzhen users enjoy watching videos, and Guangzhou users like playing games.

Chinese gamers have a high game retention span, averaging about 30+ minutes of game time a day, which is double that of US users. Day 1 retention for Chinese mobile gamers is 29%, compared to 21% in the US, furthermore Day 7 retention rates are comparable at 9% for China and 8% for the US respectively.

Role playing games prove to be the most engaging to iOS users with an average of 4.9 sessions a day, followed by strategy and cards games. For Android gamers, strategy games have the highest average sessions a day at 4.9, followed by card and role play.

When it comes to payment rates, casino/gambling type games are at the top for iOS gamers with 4.5% and role play does best on Android with 3.9%. Across all genres, the pay rates for iOS gamers are higher than Android, proving once again that iOS games monetize better.

Future Prospects on China Mobile Game Market- Severe Competition, High Concentration

In 2013 the Mobile games market experienced an outbreak in user activity, which only contributed to the population bloom in 2014, and utter client-overflowing chaos in 2015. However in 2016, the population of mobile gamers are in fact diminishing; the whole industry will be much more competitive which will no doubt result in higher industry costs. In the research and development (R&D) stage, there will be a larger R&D team, a longer development cycle, and higher R&D expenditures. In the operating stage, distribution channels are more and more expensive, IP become a norm for new games, and operating costs will increase further. In the future, larger companies will establish superiority with their strength in R&D and capital; meanwhile, most middle and small companies will vanish, leading to a higher concentration in the mobile games industry. Due to the oligopolistic characteristics of the future market, it will be a norm for medium to small companies to incorporate with larger companies in order to coexist.

Demand-orientation, Market Segments

As the recent influx of mobile gamers begins to dissolve, the market is transforming from incremental to stock; from supply to demand. Thus, meeting the various needs of the players will be a major issue for the entire industry to consider. Compared to the abundant and mature product system in the computer games market, mobile games can cater to more market segments, such as: sports backers, racing advocates, female mobile users, and strategy gamers, as there are rare outstanding products in China. In the future, smaller companies should not rival with the larger ones in card or role playing games but instead advocate their resources to seriously differentiate their user types; adjusting R&D strategy to specific market segments.

Approach Maturity, Exquisite Game Strategy

Given the development of computer games, when minor exquisite games cover most of the market shares, it is an important signal that the market is going to mature. When looking at the mobile games market in 2015, several elimination games, parkour games and fishing games launched in 2014 are the top ranking games in leisure games, while top games of other types keep their high ranking longer and longer. The revenue of top games is increasing and minor outstanding top games attract the most users, which indicate that the fast-food-style of mobile games will become history and the market will approach maturity. In the future, development of mobile games industry will return to normal, and there is a trend that majority of users will get back to exquisite games.

Pan-entertainment Operation Normalization

In 2015, the integration of the Pan-entertainment industry has been completed solely by Internet, led by three giants: Baidu, Alibaba and Tencent (BAT). In 2016 the Pan-entertainment industry is expected to enter a new stage, in which the value and content of the industry will be realized. The most important aspect being in mobile games market whose revenue has already surpassed those in movie market. Giants in the mobile games market, are already speeding up their layout of pan-entertainment. Game companies such as Tencent, Netease, Perfect world, Youzu, and Zeus Entertainment are concerning themselves with the film and television industry, hence competition in Pan-entertainment starting to spread. If the conjunction of movie and games in 2015 is only a trial in Pan-entertainment industry, then in 2016, the Pan-entertainment operation will become normal with IP as the core, platform and vale chains.

5. BASIS OF VALUATION

Our valuation was carried out on a fair value basis. Hong Kong Financial Reporting Standard (HKFRS) 13 Fair Value Measurement defines fair value as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

6. BASIS OF OPINION

We have conducted our valuation in accordance with International Valuation Standards issued by International Valuation Standards Council[1]. The valuation procedure includes review of the financial and economic conditions of the subject business, an assessment of key assumptions, estimates, and representations made by First Surplus. All matters essential to the proper understanding of the valuation are disclosed in the valuation report. Opinion of value included in the valuation report is impartial, independent, and unbiased.

1 The IVSC has been in existence for more than 25 years. Its origins were in the need identified by a number of professional bodies from around the world for uniformity in the valuation approaches used in real estate markets. Over the past decade it has evolved and expanded and now produces standards for many types of assets, including plant and equipment, intangible assets and businesses. The International Valuation Standards are already recognised and accepted by a wide range of organisations including the UK Financial Services Authority, the Hong Kong Securities and Futures Commission, the Securities and Exchange Board of India and the European Public Real Estate Association amongst others. IVSC has also worked in liaison with the International Accounting Standards Board (IASB) in producing guidance on valuations required under IFRS, an increasingly important need as IFRS is adopted in more a states.

The following factors also form a considerable part of our basis of opinion:

- Assumptions on the market and on the subject business that are considered to be fair and reasonable;

- Financial performance that shows a consistent trend of the operation of the subject business;

- Consideration and analysis on the micro- and macro-economic factors; and Analytical review of the subject business.

We have planned and performed our valuation so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to express our opinion on the subject asset. We believe that our valuation provides a reasonable basis for our opinion.

7. SOURCES OF INFORMATION

In conducting this valuation, we have considered, reviewed and relied upon the following key information provided by the instructing party and from the public.

- Overview of the business nature of First Surplus;

- Discussions with the Management;

- Historical financial reports of First Surplus;

- Publications and private research reports regarding the industry; and

- Bloomberg database, Hong Kong Stock Exchange, Hong Kong Monetary Authority and other reliable sources of market data.

In arriving at our opinion, we have assumed and relied upon the accuracy and completeness of the information reviewed by us for the purpose of this valuation. In addition, we have relied upon the statements, information, opinion and representations provided to us by the Company.

We also conducted research using various sources including government statistical releases and other publications to verify the reasonableness and fairness of information provided and we believe that the information is reasonable and reliable.

Our opinion is based upon existing economic, market, financial and other conditions which can be evaluated on the date of this report and we assume no responsibility to update or revise our opinion based on events or circumstances occurring after the date of this report. In reaching our opinion, we have made assumptions with respect to such economic, market, financial and other conditions and other matters, many of which are beyond our control or the control of any party involved in this valuation exercise.

8. VALUATION APPROACH AND METHODOLOGY CONSIDERED

In carrying out this valuation exercise, we have considered the following approaches and methodologies:

Cost Approach – The cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history.

Unlike market and income approaches which incorporate either market sentiments or future earnings capacity of an asset as a function to determine its current value, cost approach considers the fundamental cost that takes to form the asset. In our opinion, this method is inapplicable to the current analysis as there is no convincing association of the market value of the subject asset with its cost.

Income Approach – In the income approach, the value of an asset is the present worth of the expected future economic benefits of ownership. This approach is generally applied to an aggregation of assets that consists of all assets of a business enterprise including working capital and tangible and intangible assets. The value of the asset to be valued is developed through the application of the discounted cash flow method to devolve the values of expected future income generated by the asset into a present value. This approach has not been adopted because many assumptions are involved and that uncertainties in the future performance of First Surplus will have significant impacts on its value.

Market Approach – In this approach, the value of an asset is derived by looking at how the market prices similar assets. This approach employs the market data guideline public companies to develop a measure of value for the subject company. It is commonly adopted in business valuation and is consistent with normal market practice. There are two methods to implement the market approach.

In the first method, the transaction data for companies in a business similar to that of the subject company are used. A database of buy and sale records on enterprises with financial fundamentals and principal business similar to the subject company is used as the basis for valuation. Assets which have an established market may be appraised by this approach. However, this method has not been adopted in this valuation because insufficient market transaction data are available.

In the second method, the valuation multiples derived from the market prices and financial data of guideline public companies are used to appraise the subject company. The valuation multiples derived from the adopted guideline public companies are applied to the financial data of the subject company to arrive at its fair value. Since there are sufficient public companies in a similar business to that of the subject company being valued with shares being traded freely and actively on the market, their market values are good indicators of the industry. Hence, this method has been adopted in this valuation.

9. ASSUMPTIONS AND NOTES TO VALUATION

The following assumptions considered having significant effects in this valuation have been evaluated and validated in arriving at our assessed value.

a) We have assumed that there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of First Surplus.

b) We have not investigated any historical financial data to determine the earning capacity of the operation of First Surplus.

c) We have relied on the assistance of and information provided by the Company and First Surplus.

d) As part of our analysis, we have reviewed the information related to this valuation, which is made available to us. We have no reason to doubt the accuracy and fairness of such information on which we have relied to a considerable extent in arriving at our opinion of value.

e) Based on the International Valuation Standards, assumptions are suppositions taken to be true. Assumptions involve facts, conditions, or situations affecting the subject of, or approach to, a valuation but which may not be capable or worthy of verification. They are matters that, once declared, are to be accepted in understanding the valuation. All valuations are dependent to some degree on the adoption of assumptions. In particular, the definition of market value incorporates assumptions to ensure consistency of approach and Ascent Partners may need to make further assumptions in respect of facts which cannot be known or facts which could be determined.

10. ANALYSIS AND VALUATION

The Bloomberg database has been searched exhaustively for all listed companies in Hong Kong and China engaging in the mobile gaming industry, resulting in a short-list consisting of 14 companies. The business model and product profiles of short-listed companies are examined in further screening, with information from the companies' web-sites and other sources, if needed. Companies satisfying the following criteria, pertinent to the business operations of First Surplus, are adopted as guideline public companies for the valuation:

a) Significant portion of revenue is generated from mobile games and related business activities; and

b) Revenues are mainly generated in Hong Kong or China.

As our searches for eligible guideline public companies are exhaustive and only companies that meet both of the above-mentioned criteria which are critical to the operations of First Surplus, are considered, we believe that the adopted companies are representative, fair and reasonable comparisons to First Surplus. Based on the methodology described, the following guideline companies within the exhaustive search list are adopted after the final screening:

Stock Code	**Company Name**
300315 CH Equity	Ourpalm Co., Ltd.
799 HK Equity	IGG Inc.
1022 HK Equity	Feiyu Technology International Co., Ltd.
484 HK Equity	Forgame Holdings Ltd.
8267 HK Equity	Linekong Interactive Group Co., Ltd.
777 HK Equity	NetDragon Websoft Inc.
002354 CH Equity	Dalian Zeus Entertainment Group Co., Ltd.
434 HK Equity	Boyaa Interactive International Ltd.
002174 CH Equity	Youzu Interactive Co., Ltd.

A brief description of the major businesses of these guideline public companies can be found in Appendix II.

In this valuation, we have considered the following price multiples:

1. Price-to-Book;

2. Price-to-Revenue; and

3. Price-to-Earnings

The price-to-book ratio is considered not appropriate for this valuation because book value captures only the tangible assets of a company which, if a company creates any market value added (as reflected by a price-to-book ratio of larger than 1), should have its own intangible competencies and advantages. These intangible company-specific competencies and advantages are not captured in the price-to-book ratio and so in general, the equity's book value has little bearing with its market value. Thus the price-to-book is not a good measurement of the market value of a company. With reference to the paper "Company Valuation Methods – The Most Common Errors in Valuations" by Pablo Fernandez, PricewaterhouseCoopers Professor of Corporate Finance, IESE Business School, in general, the equity's book value bears little relationship to market value, only if the company adds no value.

The Price/Revenue ratio is also considered not appropriate since revenue only does not take into account the cost structure and hence the profitability of a company, which is the one of main drivers of value.

The Price/Earnings multiple (the "**PEM**") is considered appropriate and adopted in this valuation because it is one of the most commonly employed valuation multiples. It relates the market value of a company's equity to its earnings, an important driver of shareholder value. This trailing price/earnings multiple (the "**Trailing PEM**") is derived by dividing the market capitalization of the underlying company as of the Valuation Date by its trailing twelve months historical earnings. These PEMs are obtained from Bloomberg.

From the information provided by First Surplus, the mobile game named Heroes Flick which is soon ready for launch is a very important asset of the company. According to the management of First Surplus, an earlier version of Heroes Flick was launched in 2015 with success. However, First Surplus' management believed that, by further enhancing and optimising Heroes Flick, it would become much more attractive and popular, bringing in a higher level of revenue for First Surplus. First Surplus soon started investing into the enhancement and optimisation of Heroes Flick, which are expected to be completed in 2016. As a result of this change, losses and negative cash flows were incurred due to the expenses for the development of the new version of the game. Since the new version of Heroes Flick is about ready for launch, with little more further expenses for development and revenue flowing in as other companies in the mobile gaming business, we are of the opinion that the trailing financial results of First Surplus is not a good indicator of its value and the forward expected earnings of First Surplus is more appropriate for comparison with the forward PEMs of the guideline public companies.

Since the enhancement and optimization of Heroes Flick is nearly completed, the development expenses of First Surplus will drop significantly in the coming years. On the other hand, making reference to the launch result of Heroes Flick in 2015, it is believed that there will be significant income when the new version of Heroes Flick is launched later 2016. Thus it is expected that First Surplus will become profitable, exhibiting significant positive growth in the coming year. For this reason, companies with negative earnings and growth rates are regarded as not relevant and excluded as outliers in this valuation.

According to valuation theory, the equity value of a company is given by

Equity Value = $FCFE_1/(1+k_e)^1 + FCFE_2/(1+k_e)^2 + FCFE_3/(1+k_e)^3 +\ldots$ Equation (1)

where:

a) $FCFE_i$ is the Free Cash Flow to Equity i years in the future defined by FCFE = Net Income + (Depreciation + Amortization) – (Capital Expenditure + Change in Net Working Capital) + New Debt Issued – Debt Repayment

and

b) k_e is the cost of equity of the underlying company.

In the framework of Gordon's model, Equation (1) could be simplified to

Equity Value = $FCFE_1/(k_e - g)$ or
= $FCFE_0\ (1+g)/(k_e - g)$

where g is the industry growth rate.

The table below shows the market capitalization, trailing Free Cash Flow to Equity ($FCFE_0$), cost of equity (k_e) and implied growth rate (g) of the adopted guideline companies.

Table 3

Ticker	Company Name	Market value of equity (market cap.) *HK$ million*	Free cash flow to equity ($FCFE_0$) *HK$ million*	Cost of Equity *(K_e)*	Implied growth rate *(g)*	Trailing PEM
1022 HK Equity	Feiyu Technology International Co., Ltd.	2,563.08	350.91	24.03%	9.09%	28.65
002354 CH Equity	Dalian Zeus Entertainment Group Co., Ltd.	29,725.28	99.37	12.64%	12.26%	43.51
002174 CH Equity	Youzu Interactive Co., Ltd.	32,137.47	403.75	13.85%	12.44%	46.26
300315 CH Equity	Ourpalm Co., Ltd	33,928.40	516.45	14.39%	12.67%	44.57
799 HK Equity	IGG Inc.	4,591.70	386.80	8.00%	-0.39%	10.12
434 HK Equity	Boyaa Interactive International Ltd.	2,134.57	266.05	8.33%	-3.67%	4.72
777 HK Equity	NetDragon Websoft Holdings Ltd.	11,963.94	(1,569.40)	16.28%	33.84%	N/A
484 HK Equtiy	Forgame Holdings Ltd.	1,383.31	9.78	6.85%	6.10%	N/A
8267 HK Equity	Linekong Interactive Group Co., Ltd.	1,586.13	(147.21)	12.58%	24.10%	N/A

Source: *Bloomberg*

Note: IGG Inc, Boyaa Interactive International Ltd, NetDragon Websoft Holdings Ltd, Forgame Holdings Ltd and Linekong Interactive Group Co Ltd are excluded in the calculations of the average Trailing PEM and growth rate because they either have negative growth rate or negative earnings. It is normal valuation practice to exclude companies with negative Trailing PEM, Companies with negative implied growth rate are considered as outliers thus buy excluded in the calculations. As First Surplus is expected to exhibit significant growth and positive earnings in the coming year as compared to loss making in the past year, we believe that it is not appropriate to compare these companies with First Surplus and thus their exclusion is considered reasonable. For consistency purpose, those companies are also excluded from the calculation of unlevered beta.

The average Trailing PEM and implied growth rate g are found to be 40.7 and 11.62% respectively.

The forward price/earnings multiple (the "**Forward PEM**"), can be derived from the relation.

Forward PEM = Trailing PEM/(1 + g)

Hence, the Forward PEM is 36.5.

According to the Capital Asset Pricing Model (CAPM), the cost of equity of First Surplus is given by Cost of Equity = Risk-free Rate + β_1 x Market Risk Premium

where:

a) market risk premium is the difference between the expected market return, i.e. the expected rate of return on the market portfolio, and the risk-free rate; and

b) β_1, the levered beta, is a measure of the levered sensitivity of return on equity of the company to the market risk premium.

The 10-years Hong Kong Sovereign Bond Yield as at the Valuation Date is employed as the risk-free rate of Hong Kong. This rate, as obtained from Bloomberg, is 1.02%. The expected market return of Hong Kong, as obtained from Bloomberg, is 14.99%. Therefore, the market risk premium, which is the difference between the expected market return and the risk-free rate, is 13.97%.

The value of β_1 is given by

$$\beta_1 = \beta_u + \beta_u (1-t) \frac{D}{E}$$

where:

a) β_u, the unlevered beta, a measure of the unlevered sensitivity of return on equity of the company to the market risk premium;

b) t is the statutory corporate tax rate, which is 16.50% in Hong Kong; and

c) D/E is the debt-to-equity ratio.

The table below shows the inputs obtained from Bloomberg for the calculation of β_u:

Ticker	Company Name	Currency	Levered beta	Average Total Debt *(million)*	Average Market Cap. *(million)*	Average Tax Rate	Unlevered beta
1022 HK Equity	Feiyu Technology International Co Ltd	HKD	1.57	20.36	3,473.96	8.54%	1.56
002354 CH Equity	Dalian Zeus Entertainment Group Co Ltd	CNY	0.96	105.93	17,888.99	6.65%	0.96

Ticker	Company Name	Currency	Levered beta	Average Total Debt *(million)*	Average Market Cap. *(million)*	Average Tax Rate	Unlevered beta
0021714 CH Equity	Youzu Interactive Co Ltd	CNY	1.33	168.67	21,328.35	12.14%	1.32
300315 CH Equity	Ourpalm Co Ltd	CNY	1.10	542.58	33,010.92	7.42%	1.09

* *Two years historical financial data are adopted; Source: Bloomberg*

The unlevered beta of the adopted guideline companies, using the formula stated above are summarized as follows:

Ticker	Company Name	Unlevered beta
1022 HK Equity	Feiyu Technology International Co Ltd	1.56
002354 CH Equity	Dalian Zeus Entertainment Group Co Ltd	0.96
0021714 CH Equity	Youzu Interactive Co Ltd	1.32
300315 CH Equity	Ourpalm Co Ltd	1.09
	Average	**1.23**

The average unlevered beta of the adopted guideline companies is 1.23 and the average debt-to-equity ratio is 0.90%. The levered beta is estimated to be 1.24. The cost of equity of First Surplus, unadjusted for its size and company specific risks, is therefore 18.35%. A small company risk premium of 3.58% suggested by Duff & Phelps Valuation Handbook 2016, is applied to compensate for the relatively small size of First Surplus. Since the success of First Surplus is highly dependent on the imminent launch of the enhanced and optimised version of Heroes Flick, an additional risk premium of 3.5% is applied. As a general valuation practice, this company specific risk premium normally ranges from 1.0%-5.0%, Considering the fact that the optimisation of this game is about to complete and the success of the short launch of its earlier version in 2015, the adopted risk premium of 3.5%, which is at the high end of the aforementioned range to compensate for the business and start-up risks of First Surplus, is considered to be fair. The resulting adjusted cost of equity of First Surplus is found to be 25.43%.

By using the formula below, the Forward PEM of First Surplus, adjusted for size and company specific risks, is estimated to be 17.9.

Adjusted Forward PEM = (Unadjusted Forward PEM) (Unadjusted Cost of Equity – g)/(Adjusted Cost of Equity – g)

i.e. Forward PEM = 36.5 * (18.35% - 11.62%) / (25.43% - 11.62%) = 17.9

Since First Surplus is a private company, its shares are lack of liquidity, i.e. they are non-marketable, unlike the shares of the adopted guideline public companies which are traded on stock exchanges and are therefore liquid and marketable. In addition, as a controlling equity interest in First Surplus is considered in this valuation, compensation must be made to its value for the controlling right. Adjustment for the lack of marketability of the equity interest in First Surplus is made by means of a discount for lack of marketability (DLOM). The DLOM of 16.1% suggested by the paper "Determining Discounts for Lack of Marketability; A Companion Guide to the FMV Restricted Stock Study, 2016 Edition" is applied. Similarly, since the Company is planning to acquire a controlling share in First Surplus, a control premium of 20.0% suggested by the paper "Value of Corporate Control: Some International Evidence" by Paul Hanouna, Atulya Sarin, and Alan C. Shapiro is applied. The final adjusted Forward PEM for First Surplus is 18.0.

The calculation of adjusted Forward PEM is as follows:

17.9 * (1+20.0%) * (1-16.1%) = 18.0

As mentioned, since Heroes Flick is under enhancement so as of the Valuation Date no revenue is generated from it. Therefore, adopting historical net profit after taxation to derive the fair value of the equity interest of First Surplus does not accurately reflect its future earning capacity. Therefore, the adoption of the Profit Guarantee is considered as a reasonable proxy in deriving the fair value of First Surplus.

The HK$14.2 million guaranteed profit was determined with reference to, among others, the publishing of the Target Group's self-developed mobile game, namely "Heroes Flick", which is currently being updated and is expected to be fully launched in the 2nd half of 2016, in Hong Kong, the PRC and Taiwan and approximately 12 countries by a subsidiary of Asiasoft Corporation Public Company Limited in the coming year.

The value of 100% equity interest in First Surplus is estimated by applying the Forward PEM, after all the adjustments, to the guaranteed profit of HKD14,200,000 provided by its major shareholder and is found to be approximately HKD255,600,000.

11. VALUATION COMMENT

As part of our analysis, we have reviewed the financial and business information, such as project documents and other pertinent data concerning First Surplus, provided to us by First Surplus and the Company. We have assumed the accuracy of, and have relied on, such information to a considerable extent in arriving at our opinion of value.

We confirm that we have made relevant searches and enquiries, and have obtained such further information as is considered necessary for the purpose of this valuation.

The conclusion of value is based on generally accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and consideration of such matters are regarded by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of First Surplus, the Company, and Ascent Partners.

12. RISK FACTORS

a) General Economic, political and social considerations

Due to the uncertainties in economic situation, there is no guarantee that the expected financial performance will materialize. Any changes in global political, economic and social conditions, laws, regulations and policies may have significant impacts on the projections of the future income of First Surplus. None of these changes can be foreseen with certainty.

b) Inflation

The concurrent loosening of monetary policies by the central banks in many developed and developing countries pose a significant risk of inflation, which will erode the profitability of First Surplus.

c) Company specific risk

The performance of First Surplus may be better or worse than the expectation, and the resulting earnings and cash flows can be very different from our estimates. The possibility of severe operational incidence, whether it is exogenous or endogenous, cannot be precluded.

d) Technological changes

Any changes in the technological developments and advancements may have significant impacts on the projections of the future income of First Surplus. To remain competitive in the industry, First Surplus may be required to make substantial capital expenditures to keep up with technological changes.

e) Concentration risk

The revenue of First Surplus is heavily dependent on a single business segment. There is no guarantee that this business relationship can be maintained and that the products of First Surplus will remain popular.

13. OPINION OF VALUE

Based on our investigation and analysis outlined in this report, we are of the opinion that, as at **30 June 2016**, the fair value of 100% equity interest in First Surplus is **HKD255,600,000 (HONG KONG DOLLARS TWO HUNDRED FIFTY FIVE MILLION SIX HUNDRED THOUSAND ONLY).**

Yours faithfully,

For and on behalf of
Ascent Partners Valuation Service Limited

William Yuen	**Paul Wu**
Director	*Principal*
CFA, FRM	*MSc, CMA (Aust.)*

Notes:

1. Mr. William Yuen is a Chartered Financial Analyst® charterholder and Financial Risk Manager – Certified by the Global Association of Risk Professionals. He also holds a Master degree of Science in Finance. Mr. Yuen has over 10 years' experience in valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries.

2. Mr. Paul Wu is a Certified Management Accountant. He also holds a Master degree of Science. He has extensive experience in corporate advisory and valuation of business entities, tangible and intangible assets and financial instruments for private and public companies in various industries. Prior to working in the financial service industry, Mr. Wu had worked as a senior management in world class technology companies.

3. This valuation report is co-authored by Mr. Matthew Leung.

APPENDIX I LIMITING CONDITIONS

1. As part of our analysis, we have reviewed financial and business information from public sources together with such financial information, client representation, valuation documentation and other pertinent data concerning the valuation made available to us during the course of our valuation. We have assumed the accuracy of, and have relied on the information and client representations provided in arriving at our opinion of value.

2. We have explained as part of our service engagement procedure that it is the director's responsibility to ensure proper financial information are maintained, and the financial statements give a true and fair view and have been prepared in accordance with the relevant companies' ordinance.

3. Ascent Partners shall not be required to give testimony or attendance in court or to any government agency by reason of this valuation unless prior arrangements have been made.

4. No opinion is intended to be expressed for matters which require legal or other specialised expertise or knowledge, beyond what is customarily employed by valuers.

5. Our conclusions assume continuation of prudent client policies over whatever period of time that is considered to be necessary in order to maintain the character and integrity of the subject of valuation.

6. We assume that there are no hidden or unexpected conditions associated with the subject of valuation that might adversely affect the reported value(s). Further, we assume no responsibility for changes in market conditions after the date of this report.

7. This valuation report has been prepared solely for the use of the designated party. The valuation report should not be otherwise referred to, in whole or in part, or quoted in any document, circular or statement in any manner, or distributed in whole or in part or copied to any their party without our prior written consent.

8. This report is confidential to the client for the specific purpose to which it refers. In accordance with our standard practice, we must state that this report and valuation is for the use only of the party to whom it is addressed and no responsibility is accepted with respect to any third party for the whole or any part of its contents.

APPENDIX II GUIDELINE PUBLIC COMPANIES

The core businesses of the guideline public companies adopted are highlighted below:

A. Ourpalm Co., Ltd. (300315 CH Equity)

Ourpalm Company Limited develops, promotes, operates and maintains mobile game terminals, internet game pages and its peripheral products. The Company's main products include mobile game terminals, and internet game pages.

B. IGG Inc. (799 HK Equity)

IGG Inc. is an online games developer and operator. The Company offers multi-language browser games, client-based games and mobile games to players globally.

C. Feiyu Technology International Co., Ltd. (1022 HK Equity)

Feiyu Technology International Co., Ltd. is a video-game developer. The Company is primarily focused on the development and operation of mobile games.

D. Forgame Holdings Ltd. (484 HK Equity)

Forgame Holdings Limited develops and publishes web based games. The Company produces and licenses games for both computer based and mobile phone platforms.

E. Linekong Interactive Group Co., Ltd. (8267 HK Equity)

Linekong Interactive Group Co., Ltd. operates as an investment holding company. The Company, through its subsidiaries, engages in developing and publishing online mobile games. Linekong Interactive Group conducts business in the People's Republic of China, Hong Kong, and other countries and regions.

F. NetDragon Websoft Inc. (777 HK Equity)

NetDragon Websoft, Inc. develops online internet games. The Company offers tracks player behaviour and purchasing patterns to design games that cater to their customers' tastes. NetDragon Websoft operates worldwide.

G. Dalian Zeus Entertainment Group Co., Ltd. (002354 CH Equity)

Dalian Zeus Entertainment Co., Ltd. develops and distributes webpage online games and mobile games.

H. Boyaa Interactive International Ltd. (434 HK Equity)

Boyaa Interactive International Ltd. develops and publishes online games.

I. Youzu Interactive Co., Ltd. (002174 CH Equity)

Youzu Interactive Co., Ltd. is an electronic gaming company.

APPENDIX III SENSITIVITY ANALYSIS

The results of the sensitivity analysis are as follows:

PEM Forward	**16.0x**	**17.0x**	**18.0x**	**19.0x**	**20.0x**
Consideration *(HK$)*	227,200,000	241,400,000	255,600,000	269,800,000	284,000,000

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, 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

As at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO, Chapter 571 under the Laws of Hong Kong), which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including any interests and short positions which they have taken or deemed to have taken under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by Directors to be notified to the Company and the Stock Exchange.

(b) Substantial Shareholders

As at the Latest Practicable Date, according to the register kept by the Company pursuant to section 336 of SFO, and so far as is known to the Directors or chief executive of the Company, the following persons (other than a Director or a chief executive of the Company) had, or was deemed or taken to have, an interest or short position in the shares or underlying shares of the Enlarged Group which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Long positions in the shares of the Company

Name of Shareholder	Capacity	Number of issued shares held	Percentage of the Company's issued share capital
Mr. Chiu Ngai Hung	Beneficial owner	78,668,000	8.67%

Long positions in shares of the subsidiaries of the Enlarged Group

Name of shareholder	Name of Subsidiary	Capacity	Percentage of interest in subsidiary
Mr. Yin Wing Hei	The Target Company	Beneficial owner	40.0%
Mr. Man Kwok Chung	Mooff Games	Beneficial owner	16.0%
Mr. Simon Alexander Marriott	Mooff Games	Beneficial owner	10.6%
Full Rich Human Resources Limited	Side Quest	Beneficial owner	15.0%

Save as disclosed in the preceding paragraph and so far as is known to the Directors or chief executive of the Company, there was no person (other than a Director or chief executive of the Company) who, as at the Latest Practicable Date, had an interest or short position in the shares and underlying shares of the Enlarged Group which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, was, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital, including options in respect of such capital, carrying rights to vote in all circumstances at general meeting of any other member of the Enlarged Group.

3. DIRECTORS' SERVICE CONTRACTS

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

4. COMPETING BUSINESS INTEREST OF DIRECTORS

As at the Latest Practicable Date, none of the Directors or their respective associates was interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group as required to be disclosed pursuant to the GEM Listing Rules.

5. LITIGATION

So far as the Company is aware, as at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation or arbitration of material importance and there is no litigation or claim of material importance known to the Directors pending or threatened by or against any member of the Enlarged Group.

6. MATERIAL CONTRACTS

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

(i) On 26 September 2014, the Company entered into a placing agreement with the placing agent, One China Securities Limited, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 50,000,000 placing shares at the placing price of HK$0.65 per placing share;

(ii) On 7 November 2014, the Company entered into a placing agreement with the placing agent, One China Securities Limited, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 50,000,000 placing shares at the placing price of HK$0.65 per placing share;

(iii) On 9 December 2014, Twins Box and Glory Brightness Ltd. entered into a contract note in relation to the acquisition of the entire equity interest in Top Banana;

(iv) On 11 December 2014, the Group and Mix Billion Holdings Limited entered into a sale and purchase agreement in relation to the acquisition of the entire equity interest in Native Hope Limited at the consideration of HK$90,000,000;

(v) On 17 December 2014, the Target Company and Mr. Wong Ming Wai, entered into a sale and purchase agreement, pursuant to which Mr. Wong Ming Wai agreed to procure MTel Limited to sell 85% equity interest in Side Quest and 60% equity interest in Mooff Games held by it to the Target Company;

(vi) On 23 December 2014, the Target Company and Excel Focus Limited entered into a contract note in relation to the acquisition of 13.4% equity interest in Mooff Games;

(vii) On 20 April 2015, the Company entered into a placing agreement with the placing agent, One China Securities Limited, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 600,000,000 placing shares at the placing price of HK$0.10 per placing share;

(viii) On 6 June 2015, the Company, Beijing Enterprises Medical Health Resources Company Limited and Starry Chance Investments Limited entered into a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and Beijing Enterprises Medical Health Resources Company Limited and Starry Chance Investments Limited have conditionally agreed to subscribe a total of 15,000,000,000 new shares at the subscription price of HK$0.02 per subscription share;

(ix) On 7 June 2015, the Company entered into with each of Apex City International Limited and the Capital Gold Enterprises Limited, Best Global Ventures Limited, First Growth Global Limited, Megaway Investment Limited, Luck Success International Investment Limited, Wide Success International Limited, Trade Gate Holdings Limited, Tseng Ying Hon and Intellectual Property Trade Pte. Ltd a subscription agreement, pursuant to which the Company has conditionally agreed to allot and issue, and each of the Apex City International Limited and the Capital Gold Enterprises Limited, Best Global Ventures Limited, First Growth Global Limited, Megaway Investment Limited, Luck Success International Investment Limited, Wide Success International Limited, Trade Gate Holdings Limited, Tseng Ying Hon and Intellectual Property Trade Pte. Ltd has conditionally agreed to subscribe, the subscription shares at the subscription price of HK$0.02 per subscription share;

(x) On 7 June 2015, Excel Super Investment Limited, a subsidiary of the Company, entered into a sale and purchase agreement with 北京艾格瑞德科技有限公司, Mr. Wu Zhanjiang, Mr. Li Kang Ying, Mr. Cao Wei and Mr. Wang Dongbin, pursuant to which Excel Super Investment Limited has conditionally agreed to acquire, and 北京艾格瑞德科技有限公司 has conditionally agreed to sell the entire equity interest of 北京艾普智城網絡科技有限公司 (Beijing iPole Smart City Network Technology Company Limited) at the consideration of RMB7,200,000 in cash;

(xi) On 26 October 2015, the Company entered into a placing agreement with the placing agent, Kingston Securities Limited, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 840,000,000 shares at the placing price of HK$0.10 per placing share;

(xii) On 9 March 2016, the Target Company and Funland Overseas Limited entered into a contract note in relation to the acquisition of the 70% equity interest in Smart City;

(xiii) On 9 March 2016, the Company, as vendor, and Mix Billion Holdings Limited entered into the sale and purchase agreement, pursuant to which the Company has conditionally agreed to sell and Mix Billion Holdings Limited has conditionally agreed to acquire the entire issued share capital of Native Hope Limited and all outstanding amount owed by Native Hope Limited to the remaining Group at the total consideration of HK$93,750,000;

(xiv) On 16 March 2016, the Target Company and Next Step Ventures Limited entered into a contract note in relation to the acquisition of the remaining equity interest in Smart City;

(xv) On 29 March 2016, the Company and Gransing Securities Co., Limited entered into an underwriting agreement in relation to the proposed issue by way of open offer to the qualifying Shareholders on the basis of one offer Share for every two existing Shares held on the record date at the subscription price of HK$0.24 per offer share;

(xvi) On 11 May 2016, Lead Billion Enterprises Limited and Mr. Chiu Ngai Hung entered into the sale and purchase agreement pursuant to which Lead Billion Enterprises Limited has agreed to acquire the entire issued share capital of Viva Star International Limited and all amounts owing by Viva Star International Limited to Mr. Chiu Ngai Hung at the total consideration of approximately HK$26,967,230 (calculated based on the unaudited financial statements of the Lead Billion Enterprises Limited as at 31 March 2016) settled by cash;

(xvii) On 8 July 2016, the Company entered into a placing agreement with the placing agent, China Times Securities Limited, pursuant to which the Company has conditionally agreed to place through the placing agent, on a best effort basis, up to 151,200,000 shares at the placing price of HK$0.129 per placing share; and

(xviii) the Agreement.

7. EXPERTS AND CONSENTS

The followings are the qualification of the experts who have been named in this circular and have given opinions and advice which are contained in this circular:

Name	Qualification
Baker Tilly Hong Kong Limited	Certified public accountants
Ascent Partners Valuation Services Limited	Independent professional valuer

As at the Latest Practicable Date, the above parties (i) had no shareholding, directly or indirectly, in any member of the Enlarged Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Enlarged Group; (ii) had no any direct or indirect interest in any assets which had been acquired, or disposed of by, or leased to any member of the Enlarged Group, or were proposed to be acquired, or disposed of by, or leased to any member of the Enlarged Group since 31 December 2015, the date to which the latest published audited financial statements of the Group were made up.

The above parties have given and have not withdrawn their written consents to the issue of this circular, with the inclusion of their letters and the reference to their names in the form and context in which they appear.

8. GENERAL

(a) None of the Directors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Enlarged Group or proposed to be so acquired, disposed of by or leased to any member of the Enlarged Group since 31 December 2015, being the date to which the latest published audited accounts of the Company were made up, and up to the Latest Practicable Date.

(b) As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement entered into by any member of the Enlarged Group, which was subsisting and was significant in relation to the business of the Enlarged Group.

(c) The compliance officer of the Company is Mr. Chan Wai Kit, who is also an executive Director.

(d) The company secretary of the Company is Ms. Leung Ching Man, who is a member of the Hong Kong Institute of Certified Public Accountants.

(e) The Company established an audit committee ("**Audit Committee**") with written terms of reference in compliance with Rules 5.28 to 5.29 of the GEM Listing Rules. The primary duties of the Audit Committee are to review, in draft form, the Company's annual report and accounts, half-year report, quarterly report and to provide advice and comments thereon to the Board. The Audit Committee is also responsible for reviewing and supervising the financial reporting process, risk management and internal control of the Group. The Audit Committee comprises Mr. Leung Man Chun, Dr. Lee Nim Wai and Mr. Fok Kin Fung Eric, all of whom are independent non-executive Directors. Further details of them are as follows:

1. Mr. Leung Man Chun ("**Mr. Leung**"), aged 28, has been appointed as an independent non-executive Director, the chairman of the Audit Committee, the nomination committee and the remuneration committee of the Company with effect from 23 February 2016. He has been

engaging in financial services sector for over 6 years, along with ample experience in an international accounting firm and an international bank. He currently serves as a corporate finance principal for a professional firm. He obtained a bachelor's degree in social sciences from Hong Kong Baptist University in 2009. Mr. Leung is a member of the Hong Kong Institute of Certified Public Accountants. Mr Leung has been appointed as an independent non-executive director of Evershine Group Holdings Limited (stock code: 8022), a company listed on the Stock Exchange;

2. Dr. Lee Nim Wai ("**Dr. Lee**"), aged 64, has been appointed as an independent non-executive Director with effect from 16 March 2016. Dr. Lee is a dental surgeon in Hong Kong with over 37 years in dental practice, with special interest in cosmetic dentistry. Dr. Lee obtained the Bachelor Degree from the University of Washington in 1975, and later on the Doctoral Degree of Dental Medicine from the University of the East in 1979. Dr. Lee actively engages in charitable activities and he has been the vice-chairman and a director of Yan Chai Hospital from 1991-1999. He is the founder of Imperial Dental Group which provides premium dental services both in Hong Kong and the Mainland China; and

3. Mr. Fok Kin Fung Eric ("**Mr Fok**"), aged 32, has been appointed as independent non-executive Director and member of the Audit Committee, nomination committee and remuneration committee of the Company with effect from 2 March 2016. Mr. Fok has over 10 years' experience in financial advisory industry, with ample experience in asset management and risk management. Mr. Fok obtained a bachelor degree of banking and finance from the University of London and currently serves as a senior financial advisor at an international insurance corporation.

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

(g) The head office and principal place of business of the Company in Hong Kong is at 22/F., Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong.

(h) The branch share registrar of the Company in Hong Kong is Tricor Tengis Limited.

(i) The principal share registrar of the Company is Codan Trust Company (Cayman) Limited.

(j) The English text of this circular shall prevail over their respective Chinese text for the purpose of interpretation.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's head office and principal place of business in Hong Kong at 22/F., Hua Fu Commercial Building, 111 Queen's Road West, Hong Kong during normal business hours on any weekdays, except public holidays, 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 interim report of the Company for the six months ended 30 June 2016 and the annual reports of the Company for each of the three years ended 31 December 2015;

(c) the accountants' report on the Target Group as set out in Appendix III to this circular;

(d) the report on the unaudited pro forma financial statements on the Enlarged Group as set out in Appendix IV to this circular;

(e) the valuation report on the Target Group as set out in Appendix V to this circular;

(f) the written consents from the experts as referred to in the paragraph headed "Experts and Consents" in this appendix;

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

(h) a copy of each circular issued pursuant to the requirements set out in Chapter 19 and/or 20 of the GEM Listing Rules which has been issued since 31 December 2015, being the date of the latest published audited accounts, including this circular.

AURUM PACIFIC (CHINA) GROUP LIMITED
奧 栢 中 國 集 團 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8148)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Aurum Pacific (China) Group Limited (the "**Company**") will be held at 12:00 noon on Wednesday, 12 October 2016 at 9/F., Gloucester Tower, The Landmark, Central, Hong Kong to consider and, if thought fit, approve, with or without modifications, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

"**THAT** :

(a) the Agreement (as defined in the circular dated 24 September 2016 despatched to the shareholders of the Company), a copy of which has been produced to this meeting marked "A" and signed by the chairman hereof for the purpose of identification, and all the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

(b) the directors of the Company be and are hereby authorized to take such actions and execute such documents as they may consider appropriate and expedient to carry out or give effect to or otherwise in connection with or in relation to the Agreement and the transactions contemplated thereunder."

Yours faithfully
By order of the Board
Aurum Pacific (China) Group Limited
Mui Yuk Wah
Executive Director

Hong Kong, 24 September 2016

Notes:

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

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

3. To be valid, the instrument appointing a proxy and (if required by the board of directors of the Company) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered to the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis 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 Meeting or any adjournment thereof.

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

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

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

As at the date hereof, the board of directors of the Company comprises four executive Directors Mr. Chan Wai Kit, Mr. Hung Tat Chi Alan, Mr. Mui Yuk Wah and Ms. Wong Chi Yan and three independent non-executive Directors, Dr. Lee Nim Wai, Mr. Fok Kin Fung Eric and Mr. Leung Man Chun.