THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities of the Company.

REX Global Entertainment Holdings Limited
御濠娛樂控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

(1) MAJOR TRANSACTION
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(4) PROPOSED CHANGE OF COMPANY NAME
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

A notice convening the SGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 22 April 2016 at 2:30 p.m. is set out on pages 151 to 154 of this circular. A form of proxy for use at the SGM is enclosed with this circular.

Whether or not you intend to attend and vote at the SGM in person, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

31 March 2016

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In this circular, the following expressions shall have the meanings set out below unless the context requires otherwise:

"Board"	the board of Directors;
"Bridge Loan Agreement"	the loan agreement dated 3 July 2015 entered into between the Seller (as creditor) and Yota (Cyprus) (as borrower) for financing the working capital of Yota (Cyprus);
"Bridge Loan Assignment Agreement"	the deed of novation to be entered into among the Seller, the Company and Yota (Cyprus) pursuant to which the Seller will assign to the Company all rights to claim the repayment of all debts owed by Yota (Cyprus) under the Bridge Loan Agreement;
"BVI"	the British Virgin Islands;
"Change of Company Name"	the proposed change of the English name of the Company from "REX Global Entertainment Holdings Limited" to "China Baoli Technologies Holdings Limited" and the adoption of the Chinese name "中國寶力科技控股有限公司" as the secondary name of the Company in place of the existing secondary name of the Company "御濠娛樂控股有限公司";
"close associate"	has the meaning ascribed to it under the Listing Rules;
"Company"	REX Global Entertainment Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange;
"Condition(s)"	the condition(s) precedent to SPA Completion;
"connected person"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the consideration for the acquisition of 30% of the issued share capital of the Target Company by the Company under the Sale and Purchase Agreement;
"Director(s)"	the director(s) of the Company;
"Escrow Account"	the cash account opened and maintained by the Escrow Agent pursuant to the Escrow Agreement;

"Escrow Agent"	the escrow agent to be appointed by the Company and the Seller pursuant to the Sale and Purchase Agreement;
"Escrow Agreement"	the agreement to be entered into between the Company, the Seller and the Escrow Agent in connection with the SPA Completion;
"Greater China"	the People's Republic of China, which for the avoidance of doubt, includes Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan;
"Group"	the Company and its subsidiaries;
"Haitong"	Haitong International Securities Company Limited, a licensed corporation permitted to carry on business in Type 1 (dealing in securities), Type 3 (leveraged foreign exchange trading), and Type 4 (advising on securities) regulated activities under the SFO;
"Haitong Placing Agreement"	the conditional placing agreement entered into between the Company and Haitong dated 29 March 2016;
"Hi-P"	Hi-P Electronics Pte. Ltd, a company incorporated in Singapore;
"Hi-P Escrow Amount"	the sum of USD15,000,000, which has been paid by the Seller on the request of Yota (Cyprus) to the escrow account opened pursuant to the escrow agreement dated 16 September 2014 between Yota (Cyprus), Hi-P and Veritas Law Corporation;
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Increase in Authorised Share Capital"	the proposed increase in the authorised share capital of the Company from HK$150,000,000 divided into 15,000,000,000 Shares to HK$650,000,000 divided into 65,000,000,000 Shares by the creation of an additional 50,000,000,000 Shares;

"Independent Third Party(ies)"	person(s) or entity(ies) (and their ultimate beneficial owner(s)) who, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, is/are party(ies) independent of the Company and the connected persons of the Company;
"Innovax"	Innovax Capital Limited, a licensed corporation permitted to carry on business in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO;
"Innovax Placing Agreement"	the conditional placing agreement entered into between the Company and Innovax dated 14 January 2016 and amended on 29 March 2016;
"Latest Practicable Date"	29 March 2016, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained in this circular;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange;
"MTH"	MTH Limited, a company incorporated in the Cayman Islands with limited liability and which was holder of 10% of the issued share capital of the Target Company as at the Latest Practicable Date;
"ODM(s)"	original design manufacturer(s);
"Original Sale and Purchase Agreement"	the original sale and purchase agreement dated 8 October 2015 between the Company and the Seller in relation to the sale and purchase of certain equity interest in the Target Company;
"Placee(s)"	any professional, institutional or other investor(s) procured or to be procured by the Placing Agents to subscribe for any of the Placing Shares pursuant to the Placing Agreements;
"Placing"	the placing of the Placing Shares pursuant to the Placing Agreements;
"Placing Agents"	collectively, Haitong and Innovax

"Placing Agreements"	collectively, the Innovax Placing Agreement and the Haitong Placing Agreement
"Placing Price"	HK$0.032 per Share;
"Placing Shares"	up to 25,000,000,000 new Shares to be allotted and issued under the Placing Agreements;
"Retention Amount"	an amount equal to, initially USD4,600,000, which will be increased by USD2,700,000 upon the release to the Seller of USD27,000,000 in accordance with the terms of the Sale and Purchase Agreement;
"Rex Nominee"	China Baoli Innovation Technologies Limited, a company incorporated in the BVI with limited liability and a subsidiary of the Company which will hold the Rex Nominee Licence;
"Rex Nominee IPR"	certain intellectual property rights set out in the Rex Nominee Licence, particulars of which are set out in Appendix V to this circular;
"Rex Nominee Licence"	a licence to be granted by Yota (BVI) to Rex Nominee for the exclusive use by Rex Nominee, the Company and other subsidiaries of the Company of the Rex Nominee IPR to market and sell any connectivity devices and ancillary products in the Greater China region;
"Sale and Purchase Agreement"	the Original Sale and Purchase Agreement (as amended by the first deed of amendment dated 23 December 2015, the second deed of amendment dated 29 March 2016 and as may be amended from time to time);
"Sale Shares"	300 shares in the Target Company held by the Seller, constituting 30% of the issued share capital of the Target Company;
"Seller"	Telconet Capital Limited Partnership, a partnership registered and existing under the laws of the Cayman Islands;
"Senior Seller Debt"	the consolidation of the indebtedness due to the Seller by Yota (BVI) in the amount of USD53,775,000 as at the date of SPA Completion;

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
"SGM"	the special general meeting of the Company to be convened to approve the Sale and Purchase Agreement and the transactions contemplated thereunder, the Placing Agreements and the transactions contemplated thereunder including the grant of the Specific Mandate, the Increase in Authorised Share Capital and the Change of Company Name;
"Shareholders"	holders of the Shares;
"Shareholders Agreement"	a shareholders' agreement relating to the governance and operation of the Target Company to be entered into among the Company, China Baoli Technologies Services Limited (a subsidiary of the Company), the Seller, Yota Holding, MTH and the Target Company;
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company;
"SPA Business Day"	a day other than a Saturday or Sunday or public holiday in the Cayman Islands and the Swiss Confederation on which banks are open in George Town and Bern for general commercial business;
"SPA Completion"	completion of the Sale and Purchase Agreement;
"Specific Mandate"	a specific mandate to allot and issue the Placing Shares to be sought from the Shareholders at the SGM;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	Yota, a company incorporated in the Cayman Islands with limited liability which was held as to 64.9% by the Seller, 25.1% by Yota Holding and 10% by MTH as at the Latest Practicable Date;
"Target Group"	the Target Company and its subsidiaries;
"USD"	United States dollar(s), the lawful currency of the United States of America;

"YH Russia"	RT-TMT Limited Liability Company, a company incorporated under the laws of the Russian Federation and established by RT-RB Limited Liabilities Company, 100% subsidiary of State Corporation Rostec. YH Russia is an affiliated company of Yota Holding;
"Yota (BVI)"	YOTA DEVICES IPR LTD, a company limited by shares incorporated in the BVI and a wholly-owned subsidiary of the Target Company;
"Yota BVI Loan Agreement"	the loan agreement for a principal amount of USD27,000,000 to be entered into between the Company and Yota (BVI), pursuant to which the Company will grant the loan to Yota (BVI) for the purpose of repaying a portion of the Senior Seller Debt;
"Yota (Cyprus)"	YOTA DEVICES LTD, a private company limited by shares incorporated in the Republic of Cyprus and a wholly-owned subsidiary of the Target Company;
"Yota Holding"	Yota Holding Limited, a company incorporated in the BVI with limited liability, which held 25.1% of the issued share capital of the Target Company as at the Latest Practicable Date; and
"%"	per cent.

REX Global Entertainment Holdings Limited
御濠娛樂控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

Executive Directors:
Mr. Yeung Chun Wai, Anthony
Ms. Chu Wei Ning
Mr. Chen Domingo
Mr. Wong King Shiu, Daniel

Independent non-executive Directors:
Mr. Wong Hoi Kuen
Mr. Chan Chi Yuen
Mr. Lee Chi Ming

Registered office:
Clarendon House
2 Church Street
Hamilton HM11
Bermuda

Principal place of business in Hong Kong:
Suites 3401-3413,
34/F, Two Pacific Place,
88 Queensway,
Hong Kong

31 March 2016

To the Shareholders,

Dear Sir/Madam,

(1) MAJOR TRANSACTION
(2) PLACING OF NEW SHARES UNDER SPECIFIC MANDATE
(3) PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL
(4) PROPOSED CHANGE OF COMPANY NAME
AND
(5) NOTICE OF SPECIAL GENERAL MEETING

INTRODUCTION

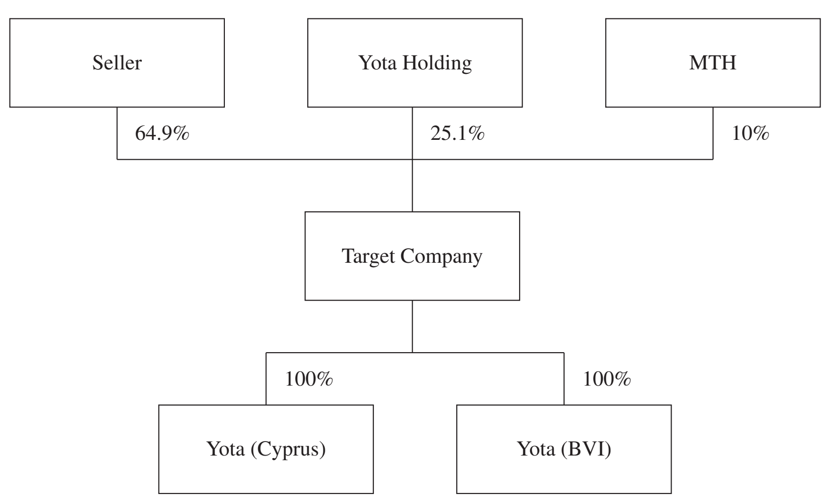
References are made to (a) the announcement of the Company dated 30 December 2015 in relation to, among other things, the proposed acquisition of 30% of the issued share capital of the Target Company by the Company (or its nominee) and, subject to SPA Completion and the entering into of an intellectual property licence agreement, the grant of the Rex Nominee Licence by the Target Group in relation to the exclusive use by Rex Nominee, the Company and other subsidiaries of the Company of the Rex Nominee IPR as necessary to market and sell "YOTAPHONE" in the Greater China region for 7 years; (b) the announcements of the Company dated 14 January 2016 and 29 March 2016 in relation to, among other things, the proposed placing of new shares of the Company under the Specific Mandate and the proposed increase in the authorised share capital of the Company; and (c) the announcements of the Company dated 23 February 2016 and 17 March 2016 in relation to the delay in despatch of this circular.

The purpose of this circular is to provide you with (a) further information on the Sale and Purchase Agreement and the transactions contemplated thereunder; (b) financial information of the Target Group; (c) the pro forma financial information of the Group; (d) further information on the Placing Agreements and the transactions contemplated thereunder; (e) further information on the Increase in Authorised Share Capital; (f) information on the Change of Company Name; and (g) other information as required under the Listing Rules, together with a notice of the SGM and a form of proxy.

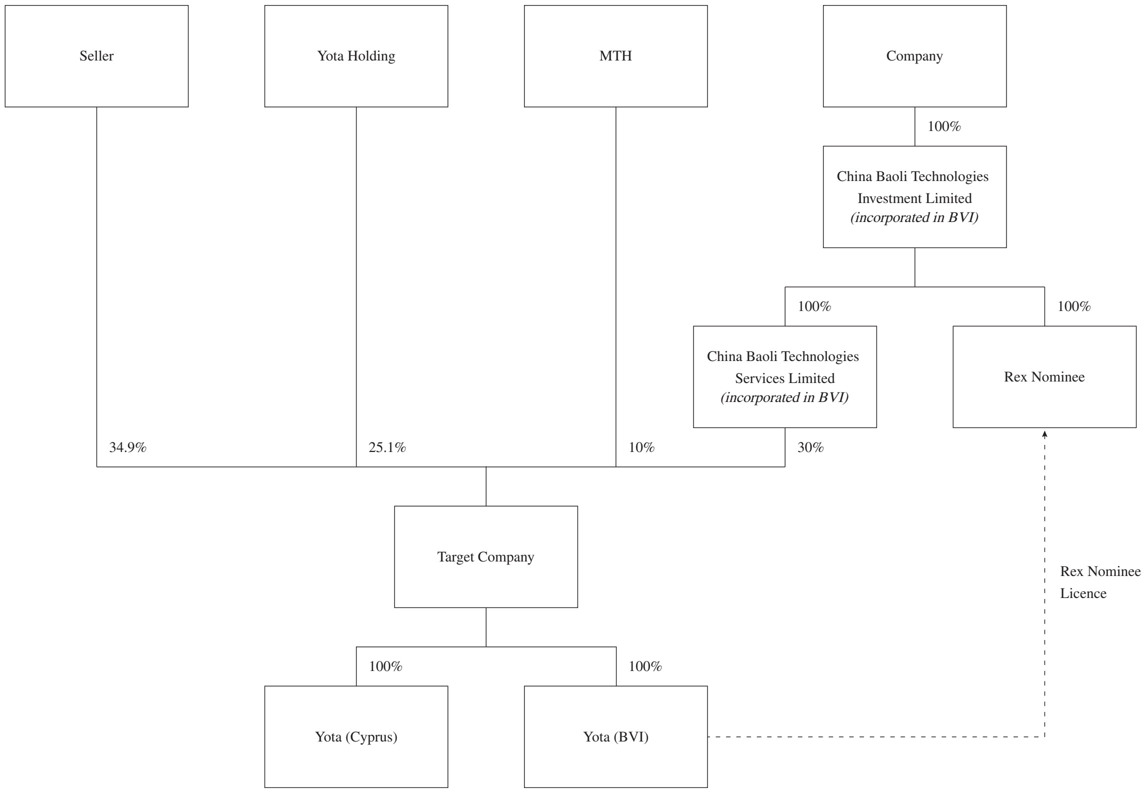
MAJOR TRANSACTION

On 8 October 2015, the Company and the Seller entered into the Original Sale and Purchase Agreement (which was subsequently amended on 23 December 2015 and 29 March 2016 respectively) pursuant to which, among other things, the Company conditionally agreed to acquire (or procure its nominee to acquire) and the Seller conditionally agreed to sell, 30% of the issued share capital of the Target Company. Pursuant to the terms of the Sale and Purchase Agreement, subject to SPA Completion and the entering into of an intellectual property licence agreement, the Target Group shall grant the Rex Nominee Licence in relation to the exclusive use by Rex Nominee, the Company and other subsidiaries of the Company of the Rex Nominee IPR as necessary to market and sell "YOTAPHONE" in the Greater China region for 7 years.

Simplified corporate structure of the Target Company immediately before SPA Completion:



Simplified corporate structure of the Target Company immediately after SPA Completion:



Details of the Sale and Purchase Agreement are set out below.

Sale and Purchase Agreement

Date

8 October 2015 (subsequently amended on 23 December 2015 and 29 March 2016)

Parties

Seller: the Seller

Buyer: the Company

The Seller is a limited partnership incorporated and existing under the laws of the Cayman Islands. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Seller and its general partner are Independent Third Parties.

Assets to be acquired

(a) the Sale Shares which represent 30% of the issued share capital of the Target Company; and

(b) all rights to repayment of all debts owed by Yota (Cyprus) to the Seller under the Bridge Loan Agreement and the rights of the Seller with respect to the Hi-P Escrow Amount (details of which are set out in the paragraph headed "Indebtedness due to the Seller" below).

Consideration for the Sale Shares

The consideration for the Sale Shares is USD46,225,000 in cash, which was arrived at after arm's length negotiations between the Company and the Seller and was determined after taking into account, among other things, (a) the future prospects of the smartphone industry; and (b) the growth potential and future development of the Target Company's "YOTAPHONE" brand.

The Consideration is subject to adjustment as a result of any liability arising under any representation, warranty or undertaking given by the Seller under the Sale and Purchase Agreement.

The Company shall deposit the Consideration before SPA Completion to the Escrow Account pursuant to the Sale and Purchase Agreement and the Escrow Agreement. A portion of the Consideration in the amount of USD41,625,000 shall be released from the Escrow Account to the Seller upon SPA Completion. The remaining portion of the Consideration in the amount of USD4,600,000 shall be retained by the Escrow Agent and constitute the Retention Amount. Upon partial repayment of the Senior Seller Debt pursuant to the Yota BVI Loan Agreement, an additional amount of USD2,700,000 will form the Retention Amount. Further details relating to the Yota BVI Loan Agreement are set out in the paragraph headed "Financing by the Company – Yota BVI Loan Agreement" below.

The Retention Amount will be applied to satisfy any claim which the Company may have under the Sale and Purchase Agreement. Balance of the Retention Amount after deduction of such claim, together with interest accrued, will be released in accordance with the Escrow Agreement on the first anniversary of the date of SPA Completion.

Conditions precedent

Completion of the Sale and Purchase Agreement is conditional upon the following having been fulfilled or waived in accordance with the terms of the Sale and Purchase Agreement:

(a) the passing at a general meeting of the Shareholders of a resolution approving the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement and the transactions contemplated thereby;

(b) the Seller having delivered to the Escrow Agent the duly signed deed of novation to be entered into by the Seller, the Company and Yota (Cyprus) pursuant to which the Seller would assign to the Company all the rights of the Seller with respect to the Hi-P Escrow Amount;

(c) (i) the Company having deposited to the Escrow Account at or before SPA Completion (A) the amount equal to any outstanding amount owed by Yota (Cyprus) under the Bridge Loan Agreement as of the date of such deposit (subject to a maximum of USD15,000,000) plus (B) USD27,000,000, being the principal amount to be advanced by the Company under the Yota BVI Loan Agreement; (ii) the Seller having delivered to the Escrow Agent the duly signed Bridge Loan Assignment Agreement and the Yota BVI Loan Agreement; and (iii) the Company having delivered to the Escrow Agent the duly signed deed of subordination to be entered into between the Company, the Seller, the Target Company, Yota (BVI) and Yota (Cyprus) under which, among other things, the Company's claims with respect to the Yota BVI Loan Agreement and the Bridge Loan Assignment Agreement will be subordinated to the Senior Seller Debt;

(d) the Company having deposited the Consideration before SPA Completion to the Escrow Account pursuant to the Sale and Purchase Agreement and the Escrow Agreement;

(e) the Seller, the Company (or its nominee), Yota Holding, and MTH having executed the Shareholders Agreement;

(f) the waiver by the existing shareholders of the Target Company of pre-emption or similar right (if any) with respect to the transfer of the Sale Shares as contemplated under the Sale and Purchase Agreement having been obtained;

(g) subject to the fulfillment or waiver of each of the Conditions set out in paragraphs (a), (c)(i), (c) (iii), (d), (e), (i), (m) and (n), conversion of certain debt into equity of the Target Company (except the Senior Seller Debt) without issuance of any new shares pursuant to the terms of the Sale and Purchase Agreement having been completed;

(h) Udentu Investments Inc. (as licensor) and Yota (BVI) (as licensee) having executed a trademark licence agreement(s) in respect of "YOTA" trademarks providing for an irrevocable (except in case of uncured material breach), no royalty other than one-off USD100, sub-licensable licence(s) for a maximum term permitted by applicable regulations for certain exclusive and non-exclusive uses;

(i) the competent regulatory authorities, including merger control authorities, having granted their unconditional consent, approval, clearance, confirmation or licence in respect of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement and the transactions contemplated thereunder as provided for by the applicable laws, or where such approval or consent is given subject to conditions, on such conditions as are reasonably acceptable to the Company;

(j) the warranties (other than specified ones) remaining true and accurate in all respects as of the date of the Sale and Purchase Agreement and as of the date of SPA Completion by reference to the facts and circumstances subsisting as at the date of SPA Completion;

(k) each of the specified key employees remaining to be employed by the relevant member of the Target Group on terms and conditions existing as at the date of the Sale and Purchase Agreement;

(l) subject to satisfaction of the Condition in paragraph (h), Yota (BVI) (as licensor) and the Seller (as licensee) having executed a trademark licence agreement(s) in respect of "YOTA" and "NUF logo" trademarks providing for an irrevocable (except in case of uncured material breach), no royalty other than one-off USD100, sub-licensable licence(s) for a maximum term permitted by applicable regulations for exclusive use of products which are not products within the core business of any member of the Target Group as at the date of the Sale and Purchase Agreement such as all kinds of telephones, tablets etc.;

(m) Yota (BVI), Yota (Cyprus), the Target Company and Rex Nominee having entered into a patent and trademark licence agreement according to which Yota (BVI) and Yota (Cyprus) (where applicable) shall, and the Target Company shall procure that Yota (BVI) and Yota (Cyprus) (where applicable) will, grant to Rex Nominee a licence for use by Rex Nominee, the Company and other subsidiaries of the Company of the Rex Nominee IPR (including "YOTA") as necessary to market and sell any connectivity devices and ancillary products, the key terms of which licence are further set out in the section headed "The Rex Nominee Licence" below; and

(n) YH Russia, the Target Company, Yota (BVI) and Yota (Cyprus) having entered into a patent and trademark co-ownership agreement, in form to the reasonable satisfaction of the Company, according to which Yota (BVI) and Yota (Cyprus) shall, and the Target Company shall procure that Yota (BVI) and Yota (Cyprus) will, grant to YH Russia co-ownership rights in Russia and other countries being members of the Commonwealth of Independent States in respect of certain intellectual property rights set out in the Sale and Purchase Agreement (including "YOTA"), as well as developed or otherwise acquired by Yota (BVI) and Yota (Cyprus) after the date of the Sale and Purchase Agreement, necessary for marketing, selling, otherwise supplying and distributing products developed by the Target Company or any of its subsidiaries for an unlimited duration and on other terms set out in the Sale and Purchase Agreement.

The Conditions set out in paragraphs (g), (h), (j) and (k) may be waived by the Company (in whole or in part), provided that the Condition set out in paragraph (g) may not be waived before all of the Conditions set out in paragraphs (a), (c)(i), (c)(iii), (d) and (i) have been satisfied or waived. The Conditions set out in paragraphs (c)(i), (c)(iii), (e) and (l) may be waived by the Seller (in whole or in part).

If any of the Conditions (other than the Conditions which are to be fulfilled on the date of SPA Completion) is not fulfilled (or waived, if applicable) on or before 30 April 2016 (or such later date as the Company and the Seller may agree in writing), the Sale and Purchase Agreement shall automatically terminate (other than certain surviving provisions). In such event, no party (nor any of its affiliates) shall have any claim under the Sale and Purchase Agreement and other transaction documents of any nature whatsoever against the other party (or any of its affiliates) except in respect of any rights and liabilities which have accrued before termination or under any of the surviving provisions.

As at the Latest Practicable Date, none of the Conditions has been fulfilled or waived (if applicable).

Completion

SPA Completion will take place on the fifth SPA Business Day after the first SPA Business Day on or by which all the Conditions have been fulfilled or waived, or on such other date as may be agreed by the Company and the Seller in writing.

Indebtedness due to the Seller

Senior Seller Debt

Pursuant to the Sale and Purchase Agreement, the Seller will, before SPA Completion, consolidate the existing indebtedness, aside of the Hi-P Escrow Amount and the outstanding amount under the Bridge Loan Agreement, due by the Target Group to the Seller and its affiliates (the "**Debts**"). As at the Latest Practicable Date, the Debts amounted to approximately USD85,898,000. After the consolidation, the resulting indebtedness will constitute the Senior Seller Debt due by Yota (BVI) to the Seller in the amount of USD53,775,000 as at the date of SPA Completion.

The Senior Seller Debt will be senior to all other claims against Yota (BVI) or the Target Company except for claims of creditors of Yota (BVI) and creditors of the Target Company in their ordinary course of business in the aggregate amount of up to USD1,000,000. The Senior Seller Debt will bear an interest rate of 8% per annum from the date falling 3 months plus 3 SPA Business Days from SPA Completion and, subject to the terms of the Sale and Purchase Agreement and the Shareholders Agreement, will be repayable in full by 31 December 2017. The maturity date shall be extended by one year if Yota (BVI) has no sufficient funds to repay the Senior Seller Debt in full, provided that royalties have been paid by Rex Nominee to Yota (BVI) in compliance with the Rex Nominee Licence and the Company has not interfered with repayment by Yota (BVI) of all or any part of the Senior Seller Debt.

Pursuant to the Sale and Purchase Agreement, the Company and Yota (BVI) will enter into the Yota BVI Loan Agreement pursuant to which the Company will grant a loan in the principal amount of USD27,000,000 to Yota (BVI) at SPA Completion. Yota (BVI) will apply the loan proceeds for partial repayment of the Senior Seller Debt if on the date falling 3 months from SPA Completion, the Seller continues to hold shares of the Target Company. Details of the Yota BVI Loan Agreement are set out below.

The remainder of the Senior Seller Debt will be repaid by Yota (BVI) using royalties under the Rex Nominee Licence and/or, if approved by the Company (or its nominee), other cash of the Target Group.

Any outstanding amount of the Senior Seller Debt will be waived if the Seller or its permitted affiliate ceases to hold shares of the Target Company except where such shares of the Target Company are transferred to the Company or Rex Nominee at a price less than the Senior Seller Debt, in which event, the Senior Seller Debt shall be reduced by the amount of the price as if such portion of the Senior Seller Debt has been prepaid.

Bridge Loan Agreement

Pursuant to the Bridge Loan Agreement dated 3 July 2015 entered into between the Seller and Yota (Cyprus), the Seller granted a facility to Yota (Cyprus) for financing its working capital. Pursuant to the terms of the Sale and Purchase Agreement, the Seller may increase the principal amount under the Bridge Loan Agreement up to USD15,000,000 unless otherwise approved by the Company. The outstanding amount under the Bridge Loan Agreement will be assigned by the Seller to the Company pursuant to the Bridge Loan Assignment Agreement. As at the Latest Practicable Date, the outstanding amount under the Bridge Loan Agreement was approximately USD8,844,000. It is expected that the outstanding amount under the Bridge Loan Agreement will not exceed USD15,000,000 at SPA Completion.

Hi-P Escrow Amount

In connection with the engagement of Hi-P in relation to the development and manufacture of certain smartphone products, Yota (Cyprus) undertook to pay the Hi-P Escrow Amount in the sum of USD15,000,000 into an escrow account to secure the performance by Yota (Cyprus) of its obligations under the manufacturing and supply agreement with Hi-P. At the request of Yota (Cyprus), the Seller paid the Hi-P Escrow Amount on behalf of Yota (Cyprus) on 24 September 2014. Yota (Cyprus) undertook, among others, to repay to the Seller the Hi-P Escrow Amount.

Pursuant to the Sale and Purchase Agreement, the Seller agreed to assign to the Company all rights with respect to the Hi-P Escrow Amount without additional consideration.

Financing by the Company

Subject to the terms of the Sale and Purchase Agreement, the Company will provide funding to the Target Group by entering into (a) the Bridge Loan Assignment Agreement; and (b) the Yota BVI Loan Agreement, and the Company's claim under such agreements will be subordinated to claims of the Seller under the Senior Seller Debt.

Bridge Loan Assignment Agreement

Pursuant to the Bridge Loan Agreement dated 3 July 2015 entered into between the Seller (as creditor) and Yota (Cyprus) (as borrower), the Seller granted a facility to Yota (Cyprus) for financing its working capital of up to USD15,000,000 unless the Company has approved a higher amount.

Pursuant to the Sale and Purchase Agreement and the Bridge Loan Assignment Agreement to be entered into between the Company, the Seller and Yota (Cyprus), the Seller will assign to the Company all rights to claim the repayment of all debts owed by Yota (Cyprus) under the Bridge Loan Agreement for a consideration equal to the outstanding amount under the Bridge Loan Agreement of up to USD15,000,000 at SPA Completion.

Pursuant to the Sale and Purchase Agreement, the Company will deposit the consideration for the assignment of the rights under the Bridge Loan Agreement at or before SPA Completion to the Escrow Account. Such consideration will be released to the Seller at SPA Completion.

Yota BVI Loan Agreement

Pursuant to the Yota BVI Loan Agreement to be entered into between the Company and Yota (BVI), the Company will grant to Yota (BVI) a loan in the principal amount of USD27,000,000 for the purposes of partial repayment of the Senior Seller Debt.

Pursuant to the Sale and Purchase Agreement, the Company will deposit USD27,000,000 at or before SPA Completion to the Escrow Account.

The Company and the Seller shall procure the Escrow Agent to release USD27,000,000 plus any interest accrued under the Escrow Agreement as follows:

(a) (i) USD24,300,000 to the Seller and (ii) USD2,700,000 to the Escrow Agent to be held as the additional Retention Amount, on the date falling not later than 3 months plus 3 SPA Business Days from SPA Completion, if on the date falling 3 months from SPA Completion the Seller continues to hold shares of the Target Company (and the amount released shall be deemed to be partial repayment of the Senior Seller Debt); or

(b) to the Company, on the date falling not later than 3 months plus 3 SPA Business Days from SPA Completion if on the date falling 3 months from SPA Completion the Seller no longer holds shares of the Target Company.

The Company intends to fund the Consideration, the consideration under the Bridge Loan Assignment Agreement and the loan under the Yota BVI Loan Agreement through proceeds of the Placing.

Transfer of shares in the Target Company after SPA Completion

After SPA Completion, in case the Company sells shares in the Target Company, the Company shall repay the Senior Seller Debt which is outstanding prior to such sale (except that the Company may drag the Seller out at a total consideration for its remaining shares in the Target Company of not less than the amount of the outstanding debt (including interest accrued) under the Senior Seller Debt, or at any consideration if the Senior Seller Debt has been paid in full, in which case the Company will not be required to repay the Senior Seller Debt which is outstanding prior to the sale of its shares in the Target Company). The Seller may not sell its remaining shares in the Target Company up to 1 July 2017 unless to a buyer that is approved by the Company or is a permitted affiliate of the Seller. The Seller may sell its remaining shares in the Target Company to third parties after 1 July 2017 subject to the Company's right of first refusal, provided that immediately after such sale, the Seller shall repay to the Company the amount being the positive difference between the purchase price received for the shares in the Target Company by the Seller and the aggregate of the principal of the Senior Seller Debt and accrued interest under such Senior Seller Debt as of such sale and waive any and all Senior Seller Debt outstanding and provided that following such sale the Rex Nominee Licence shall be converted into a perpetual, irrevocable and royalty free licence. As at the Latest Practicable Date, the Company did not have any other side arrangement with any existing or potential shareholders of the Target Company as to acquisition of further equity interest or other investments in the Target Company and had no intention to acquire further equity interest in the Target Company in the period of 12 months from the date of SPA Completion.

The Rex Nominee Licence

Prior to SPA Completion, Yota (BVI), the Target Company and Rex Nominee shall enter into an intellectual property licence agreement according to which Yota (BVI) shall, and the Target Company shall procure that Yota (BVI) will, grant to Rex Nominee an exclusive licence for use by Rex Nominee, the Company and other subsidiaries of the Company of the Rex Nominee IPR as necessary to market and sell any connectivity devices and ancillary products on the following key terms:

Territory:	The People's Republic of China, which for the avoidance of doubt, includes Hong Kong and the Macau Special Administrative Region of the People's Republic of China and Taiwan
Duration:	7 years from the date of the grant of the Rex Nominee Licence and, subject to paragraph headed "Revocability" below, is irrevocable

Scope:	Include but not limited to: (a) exploitation of the Rex Nominee IPR, improvement of it and development of new intellectual property rights and other patents and trademarks of Yota (BVI) necessary for marketing, selling, otherwise supplying and distributing products on the territory set out above developed by the Target Company or any of its subsidiaries (including improvements and new products by the Company and/or any of its subsidiaries); and (b) placing by Rex Nominee of orders for manufacturing of the above products by ODMs selected by the Target Company under manufacturing agreements concluded between the Target Company and the relevant ODMs; for the avoidance of doubt any intellectual property rights resulting from development or improvement by Rex Nominee of the Rex Nominee IPR shall be the property of Yota (BVI). Particulars of the Rex Nominee IPR are set out in Appendix V to this Circular.
Royalty:	(a) Starting from 1 January 2017, an annual flat fee of USD6,000,000 which shall be increased by USD1,000,000 on 1 January of each year after 31 December 2017 until 31 December 2020; plus (b) starting from the moment the Rex Nominee Licence becomes effective a performance fee equal to 10% of the gross manufacturing price of devices attributable to units in respect of which the ownership title has been transferred from the ODMs to Rex Nominee or a third party purchaser nominated by Rex Nominee, but not less than USD25 per each unit of such device. In no event the amount of royalties (including flat fees, performance fees and otherwise) payable under the Rex Nominee Licence shall exceed USD70,000,000 for the whole period of the Rex Nominee Licence, and if such cap is reached, Rex Nominee shall no longer be required to pay any royalty under the Rex Nominee Licence. The flat fee shall be paid quarterly within 15 days following the end of the quarter of each year in equal instalments. The performance fee shall be paid for with 90 days credit after closing of a given quarter plus 15 calendar days.

	Any amount due and payable by Rex Nominee to Yota (BVI) shall carry interest at the benchmark 1-year lending rate set by the People's Bank of China (which in any event shall not be less than 5% per annum) on the relevant date plus 5%, subject to a maximum rate of 12% per annum.
Research & development:	Any research and development activities, whether internal or with ODMs, shall be run and coordinated by the Target Company and its subsidiaries and any intellectual property so created shall be owned by the Target Company and its subsidiaries.
Revocability:	The Rex Nominee Licence may be revoked only in case where (a) for the performance fee, the ownership title has been transferred from an ODM to Rex Nominee or a third party purchaser nominated by Rex Nominee and Rex Nominee delays payment for 180 calendar days or more; or (b) for the flat fee, Rex Nominee delays payment for 180 calendar days or more.
Change of control:	In case of a change of control in respect of Rex Nominee (which means that the Company is no longer able to effectively exercise more than 50% of the voting rights in respect of Rex Nominee and no longer able to hold effectively more than 50% of the economic interest in respect of Rex Nominee), Rex Nominee shall immediately pay to the licensor the amount of royalty equal to the amount of the outstanding Senior Seller Debt.
Sub-licensing:	Rex Nominee may issue a sub-licence in respect of the Rex Nominee IPR to the Company and any subsidiary of the Company provided that the Company has control over each sub-licensee (and control shall mean an ability of the Company to effectively exercise more than 50% of the voting rights in respect of the sub-licensee) and the performance fee when calculated shall take into account all licences and sub-licences in respect of the Rex Nominee IPR in total.

Following either repayment of the Senior Seller Debt in full, or the purchase by a third party (except for a sale to a permitted affiliate in accordance with the terms of the Shareholders Agreement where such transferee remains under the Seller's control) of the remaining shares in the Target Company held by the Seller for an amount at least equal to the outstanding portion of the Senior Seller Debt (if it remains outstanding), including all interest accrued (and the Seller may, with the prior consent of the Company, convert such outstanding portion of the Senior Seller Debt into equity immediately prior to such purchase if so agreed with the third party purchaser), the Rex Nominee Licence shall automatically convert into perpetual, irrevocable and royalty free licence. For the avoidance of doubt, Rex Nominee shall not be obliged to pay royalties in excess of the amount sufficient to discharge in full the Senior Seller Debt, including any accrued interest. Rex Nominee's obligation to pay royalties shall not be discharged until the Senior Seller Debt, including any accrued interest, is fully repaid or otherwise fully discharged.

Information on the Seller

To the best knowledge of the Directors, the Seller is a limited partnership incorporated and existing under the laws of the Cayman Islands. The principal business of the Seller is investment holding.

Information on the Target Company

The Target Company commenced its operations in 2011 and is principally engaged in the design, research and development, production and marketing and sales of high-tech consumer LTE electronics such as phablets and routers. Its main products are smartphones under the brand "YOTAPHONE" and other connectivity devices such as modems. In 2013, the Target Company's first smartphone product, "YotaPhone 1", was launched. Its current major product and brand is its second generation smartphone, "YotaPhone 2". Headquartered in Russia, the Target Company has offices and operations in Europe, Asia and the Middle East. The Target Company employs leading developers from the information technology industry and its research and development team comprises Nokia veterans.

Set out below is the audited financial information of the Target Group for the two financial years ended 31 December 2013 and 2014 prepared in accordance with International Financial Reporting Standards ("**IFRSs**"), as extracted from Appendix II to this circular:

	For the year ended/ as at 31 December	
	2014	**2013**
	USD'000	*USD'000*
Loss before taxation	46,469	20,034
Loss after taxation	46,148	19,998
Net liability	68,098	24,309

Further financial information and other information of the Target Group are set out in Appendices II and IV to this circular.

Dispute with Hi-P

In 2014, Yota (Cyprus) engaged Hi-P in relation to the development and manufacture of certain smartphone products. In August 2015, Hi-P commenced arbitration proceedings in Singapore against Yota (Cyprus) for claims of a total sum of approximately USD126,000,000. The claims relate to the alleged breaches by Yota (Cyprus) of its agreements with Hi-P for minimum order quantity of smartphones.

Yota (Cyprus) has engaged a major international law firm to represent it in the arbitration proceedings. In September 2015, Yota (Cyprus) submitted its response to the notice of arbitration filed by Hi-P indicating, *inter alia*, that it had no contractual obligation to accept delivery of defective products or to place further purchase orders because Hi-P failed to satisfy the quality and timely delivery requirements under the parties' contract. It is expected that, if the dispute is not settled, it could take up to 2 years by August 2017 for the Singapore International Arbitration Centre to reach a decision on this case.

In connection with the agreement for the development and manufacture of certain smartphone products entered into between Yota (Cyprus) and Hi-P in 2014, the Seller, on behalf of Yota (Cyprus), deposited the Hi-P Escrow Amount in the sum of USD15,000,000 in an escrow account to secure the performance by Yota (Cyprus) of its obligations thereunder. Pursuant to the escrow agreement in respect of the Hi-P Escrow Amount, the escrow agent may only release the Hi-P Escrow Amount or any part thereof pursuant to the joint instruction of Yota (Cyprus) and Hi-P or an order of an arbitral tribunal to which Yota (Cyprus) and Hi-P have referred. Until an order is made by the Singapore International Arbitration Centre or Yota (Cyprus) and Hi-P have otherwise reached a settlement on the dispute, it is expected that the Hi-P Escrow Amount will remain in the escrow account.

Hi-P's claim is made solely against Yota (Cyprus). Its principal function in the Target Group is to act as an agent to handle operations with ODM and distribute YotaPhone in certain regions. Core assets of the Target Group (i.e. intellectual property rights) are not held by Yota (Cyprus) or any of its subsidiaries. Hi-P's claim does not affect Yota (BVI), which holds the Rex Nominee IPR. Yota (BVI) is a separate entity wholly-owned by the Target Company. Therefore the Company has been advised by the Target Company that the dispute with Hi-P will not have significant impact on the financial conditions of the Target Company or on the Rex Nominee Licence.

The arbitration proceedings initiated by Hi-P relate solely to Yota (Cyprus). Yota (Cyprus) is a wholly-owned subsidiary of the Target Company. Yota (BVI), which will grant the Rex Nominee Licence to Rex Nominee, is a separate wholly-owned subsidiary of the Target Company. As each of the Target Company, Yota (Cyprus) and Yota (BVI) is a separate legal entity, from a legal perspective, the potential liabilities of Yota (Cyprus) are separate from the liabilities of the Target Company and will not affect the grant of the Rex Nominee Licence to Rex Nominee.

The Board, therefore, considers that Yota (Cyprus)'s dispute with Hi-P would not have significant impact on the Target Company and the grant of the Rex Nominee Licence. Coupled with the reasons and benefits set out in the paragraph headed "Information on the Group and reasons for and benefits of the Sale and Purchase Agreement and the transactions contemplated thereunder" below, the Directors consider that the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable.

Information on the Group and Reasons for and Benefits of the Sale and Purchase Agreement and the Transactions Contemplated Thereunder

The principal business activity of the Company is investment holding. The Group is principally engaged in the entertainment business which includes a cruise ship management business and gamma ray irradiation service. The Company intends to continue with the entertainment business, and the Group has also been actively looking for new investments and business opportunities in order to diversify its existing business with a view to achieving better growth potential and enhancing Shareholders' return in the long run. In this regard, the Directors consider that the transactions contemplated under the Sale and Purchase Agreement present a good investment opportunity for the Group to participate in the smartphone development industry.

Pursuant to the terms of the Sale and Purchase Agreement, subject to SPA Completion and the entering into of an intellectual property licence agreement, Rex Nominee will be granted the Rex Nominee Licence in relation to the exclusive use by Rex Nominee, the Company and other subsidiaries of the Company of the Rex Nominee IPR (including "Yotaphone") as necessary to market and sell any connectivity devices and ancillary products in the Greater China region for 7 years. With the expertise and experience of the key employees of the Target Group who will stay with the Target Group after SPA Completion, it is expected that the Group will be able to enter the smartphone industry in the Greater China region.

Taking into account (i) the high growth potential of the Greater China region where the Group can tap into the smartphone industry through the REX Nominee Licence; (ii) that the transactions contemplated under the Sale and Purchase Agreement represent an opportunity for the Group to diversify its existing business, which, if successful, will help broaden the income stream of the Group; and (iii) the fact that most high technology companies tend to incur losses during their initial stage of development before generating any sustainable profit as they focus on developing new products and building up their market shares, as it was the case in the Target Group where significant amount of research and development expenses has been incurred since commencement of operation, the Directors consider that the terms of the Sale and Purchase Agreement (including the terms of the Rex Nominee Licence) are fair and reasonable and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, despite the current financial performance and position of the Target Group.

Listing Rules Implications

As one or more applicable percentage ratios calculated under Chapter 14 of the Listing Rules in respect of the transactions contemplated under the Sale and Purchase Agreement are above 25% and all of such ratios are less than 100%, the transactions contemplated under the Sale and Purchase Agreement constitute a major transaction for the Company and are therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules. If the Company subsequently acquires further interest in the Target Company, the Stock Exchange will aggregate these further acquisition(s) with the acquisition contemplated under the Sale and Purchase Agreement and assess whether these further acquisition(s) would constitute a reverse takeover under Rule 14.06(6) of the Listing Rules.

Financial Effect of the Entering Into of the Sale and Purchase Agreement and the Transactions Contemplated Thereunder

Upon SPA Completion, the Target Company will be accounted for as an associated company whose results, assets and liabilities will be equity-accounted for by the Company.

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this circular and the bases and assumptions taken into account in preparing such unaudited pro forma financial information, assuming the acquisition contemplated under the Sale and Purchase Agreement had been completed as at 30 September 2015, the Group's total assets would be unchanged and the Group's total liabilities would increase by approximately HK$15.0 million. The details of the financial effect of the transactions contemplated under the Sale and Purchase Agreement on the financial position of the Group together with the bases and assumptions taken into account in preparing the unaudited pro forma financial information are set out in Appendix III to this circular for illustrative purpose.

Waiver from Strict Compliance with Rule 4.03 of the Listing Rules

Pursuant to Rule 4.03 of the Listing Rules, the accountants' report on the Target Group which is included in this circular must be prepared by certified public accountants who are qualified under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong). Rule 4.03 of the Listing Rules also provides that, in the case of a circular issued by a listed issuer in connection with acquisition of an overseas company, the Stock Exchange may be prepared to permit the accountants' report to be prepared by a firm of practising accountants who is not so qualified but which is acceptable to the Stock Exchange. Such a firm must normally have an international name and reputation and be a member of a recognised body of accountants.

Yota (Cyprus), a direct wholly-owned subsidiary of the Target Company and the holding company of the operating subsidiaries of the Target Company, is situated in the Republic of Cyprus. The Target Company was incorporated in the Cayman Islands on 29 October 2014 and became the parent of the Target Group on 15 December 2014. KPMG Limited ("KPMG Cyprus") has been acting as the auditors of the Target Group for the three years ended 31 December 2014 and the nine months ended 30 September 2015. The Directors are of the view that it will be more time efficient and cost effective for KPMG Cyprus to issue the accountants' report on the Target Group.

The accountants' report on the Target Group would be prepared by KPMG Cyprus in accordance with IFRSs and an opinion would be issued by KPMG Cyprus based on the procedures performed in accordance with Auditing Guideline "Prospectus and Reporting Accountants" (Statement 3.340) issued by the Hong Kong Institute of Certified Public Accountants. The Directors are of the view that IFRSs are permitted under Rule 4.11(b) of the Listing Rules and have been fully converged with the Hong Kong Financial Reporting Standards and therefore no reconciliation between the international and Hong Kong standards is necessary. According to KPMG Cyprus, it has internal quality control review procedures on its accountants' reports. The audit work performed by KPMG Cyprus would also be in accordance with the International Standards on Auditing issued by the International Auditing and Assurance Standards Board.

Although KPMG Cyprus is not registered under the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong), it is a member of the Institute of Certified Public Accountants of Cyprus ("ICPAC"). ICPAC is a member of International Federation of Accountants, European Federation of Accountants and Mediterranean Federation of Accountants. Furthermore, KPMG Cyprus is a firm with international name and reputation and is a part of the reputable international accounting practice of KPMG.

Based on the above, the Directors are of the view that it is more appropriate to appoint KPMG Cyprus instead of professional accountants who are qualified under the Professional Accountant Ordinance (Chapter 50 of the Laws of Hong Kong) as reporting accountants for the purpose of issuing the accountants' report of the Target Group to be included in this circular. The Company had therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 4.03 of the Listing Rules to allow KPMG Cyprus to prepare and issue the accountants' report of the Target Group for the inclusion in this circular. Such waiver was granted by the Stock Exchange on 17 February 2016.

PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

On 14 January 2016, the Company and Innovax entered into the Innovax Placing Agreement pursuant to which the Company conditionally agreed to place through Innovax, on a best efforts basis, up to 25,000,000,000 Shares, to not less than six Placees who and whose beneficial owners will be Independent Third Parties at the Placing Price of HK$0.032 per Share. The Placing Shares will be allotted and issued pursuant to the Specific Mandate.

On 29 March 2016, the Company and Haitong entered into the Haitong Placing Agreement pursuant to which the Company conditionally agreed to place through Haitong, on a best efforts basis, together with the Shares placed under the Innovax Placing Agreement, up to 25,000,000,000 Shares, to not less than six Placees who and whose beneficial owners will be Independent Third Parties at the Placing Price of HK$0.032 per Share. The Placing Shares will be allotted and issued pursuant to the Specific Mandate.

The principal terms and conditions of the Placing Agreements are as follows:

The Placing Agreements

Dates

14 January 2016 (Innovax Placing Agreement) (amended on 29 March 2016)
29 March 2016 (Haitong Placing Agreement)

Issuer

The Company

Placing Agents

Innovax Capital Limited

Haitong International Securities Company Limited

The Placing Agents conditionally agreed to place up to 25,000,000,000 Shares on a best efforts basis. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Placing Agents and their respective ultimate beneficial owners are Independent Third Parties.

Placees

The Placing Agents will place the Placing Shares to not less than six Placees (who are independent professional, institutional or other investors), who and whose ultimate beneficial owner(s) will be Independent Third Parties. It is expected that none of the Placees will become a substantial Shareholder (as defined under the Listing Rules) immediately after completion of the Placing. If any of the Placees becomes a substantial Shareholder immediately after completion of the Placing, a further announcement will be made by the Company.

Number of the Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the Latest Practicable Date and completion of the Placing, the Placing Shares in aggregate represent: (a) approximately 330.81% of the issued share capital of the Company as at the Latest Practicable Date; and (b) approximately 76.79% of the issued share capital of the Company as enlarged by the issue of the Placing Shares.

The aggregate nominal value of the Placing Shares will be HK$250,000,000.

Ranking of the Placing Shares

The Placing Shares will rank, upon issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK$0.032 per Share represents:

(a) a discount of approximately 84.08% to the closing price of HK$0.201 per Share as quoted on the Stock Exchange on 14 January 2016, being the date of the Innovax Placing Agreement;

(b) a discount of approximately 83.59% to the average of the closing prices of HK$0.195 per Share as quoted on the Stock Exchange for the five consecutive trading days of the Shares up to and including the date of the Innovax Placing Agreement; and

(c) a discount of 84.0% to the closing price of HK$0.200 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Placing Price was determined after arm's length negotiations between the Company and the Placing Agents with reference to the unaudited net asset value of the Group as at 30 September 2015 of approximately HK$0.032 per Share (calculated based on the unaudited net assets attributable to the Shareholders of approximately HK$239.5 million as at 30 September 2015 and 7,557,195,617 issued Shares as at the Latest Practicable Date). In view of the substantial discount of the Placing Price to the prevailing market prices of the Shares and that it takes time for the Group to materialise the benefits of the transactions contemplated under the Sale and Purchase Agreement, each Placee will be subject to a lock-up period (the "**Lock-up Period**") of 24 months from the date of allotment and issue of the Placing Shares. The Directors consider that the Lock-up Period will provide greater stability and confidence in subsequent Share price performance. The Directors consider that the terms of each of the Placing Agreements (including the Placing Price, the placing commission and the Lock-up Period) are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

Proceeds of the Placing

Assuming all the Placing Shares have been placed, the gross proceeds of the Placing will be HK$800,000,000 and the net proceeds will be approximately HK$785,600,000 (after deduction of placing commission and other expenses of the Placing). On such basis, the net issue price of the Placing Shares will be approximately HK$0.0314 per Share. The net proceeds from the Placing are intended to be applied to finance (a) the Consideration of USD46,225,000 (equivalent to approximately HK$358.2 million); (b) the consideration for the assignment of the debts owed by Yota (Cyprus) to the Seller under the Bridge Loan Agreement of up to USD15,000,000 (equivalent to approximately HK$116.3 million); (c) the loan to be granted by the Company to Yota (BVI) under the Yota BVI Loan Agreement of USD27,000,000 (equivalent to approximately HK$209.3 million); (d) the operation for the sale and marketing of any connectivity devices and ancillary products (the "**Products**") in the Greater China region through the Rex Nominee Licence, including (i) the fees to be paid to ODMs for the manufacture of the Products of approximately HK$50.0 million; (ii) the staff cost of approximately HK$10.0 million; (iii) the rental expenses of approximately HK$4.0 million for the office in China; and (iv) sale and marketing expenses of approximately HK$8.0 million to promote the Products; and (e) the general working capital of the existing business of the Group of approximately HK$29.8 million.

The Specific Mandate

The Company proposes to seek the grant of the Specific Mandate from the Shareholders at the SGM for the allotment and issue of the Placing Shares.

Conditions of the Placing Agreements

Completion of each of the Placing Agreements is conditional upon satisfaction of the following:

(a) the Shareholders having approved the Specific Mandate to issue the Placing Shares at the SGM;

(b) the Shareholders having approved the Increase in Authorised Share Capital at the SGM;

(c) satisfaction of the conditions under the Sale and Purchase Agreement (other than conditions which are to be satisfied on SPA Completion or otherwise waived in accordance with the Sale and Purchase Agreement);

(d) the Listing Committee of the Stock Exchange having granted the approval for the listing of, and permission to deal in, the Placing Shares; and

(e) each Placee having executed a lock-up undertaking.

None of the above conditions can be waived. As at the Latest Practicable Date, none of the conditions set out above has been fulfilled.

If any of the above conditions has not been fulfilled on or before 30 April 2016 (or such other date as may be agreed between the Company and the relevant Placing Agent in writing), all of the obligations of such Placing Agent and of the Company under the relevant Placing Agreement shall cease and determine. The Placing will not proceed in the event that the transactions contemplated under the Sale and Purchase Agreement do not proceed to SPA Completion.

Placing commission

The Company shall pay to Innovax and Haitong in aggregate a placing fee of 1% and 1.8% of the aggregate Placing Price of the Placing Shares for which each of them has procured the Placees to subscribe, respectively. The commission rates were arrived at after arm's length negotiations between the Company and each of the Placing Agents with reference to the market rate.

Completion

Completion of the Placing will take place on the third business day following the day on which the last of the conditions for the Placing set out above is satisfied (or such other date as may be agreed between the Company and the relevant Placing Agent).

Termination and force majeure

Each Placing Agent shall have the right to terminate its obligations in the relevant Placing Agreement at any time prior to 8:00 a.m. on the date of completion of the Placing on the occurrence of force majeure which includes but is not limited to:

(a) the introduction of any new law or regulation or any change in existing laws or regulations (or the judicial interpretation thereof) or other occurrence of any nature whatsoever which may in the opinion of the Placing Agent materially or adversely affect the business or the financial and trading position or prospects of the Group; or

(b) the occurrence of any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, on and/or after the date of the Placing Agreement) of a political, military, financial, economic, currency or other nature (whether or not ejusdem generis with any of the foregoing), or in the nature of any local, national or international outbreak or escalation of hostilities or armed conflict or affecting local securities markets which may in the opinion of the Placing Agent materially or adversely affect the business or the financial and trading position or prospects of the Group; or

(c) any material adverse change in stock market conditions (including without limitation suspension or material restriction on trading in securities generally) occurs which affects the success of the Placing or otherwise in the opinion of the Placing Agent makes it inexpedient or inadvisable or inappropriate for the Company or the Placing Agent to proceed with the Placing; or

(d) any change in the circumstances of the Company or any members of the Group which may materially and adversely affect the prospects of the Group taken as a whole; or

(e) (in respect of the Haitong Placing Agreement only) any suspension of dealings in the Shares for more than three (3) consecutive trading days (other than as a result of the Placing under the Haitong Placing Agreement).

If, at or prior to completion of the Placing, any of the Placing Agents shall receive notification, or shall otherwise become aware of, the fact that any of the specified representations or warranties contained in the relevant Placing Agreement was, when given, untrue or inaccurate or would in any respect be untrue or inaccurate if repeated as provided in such Placing Agreement, and the relevant Placing Agent shall determine that any such untrue representation or warranty represents or is likely to represent a material adverse change in the financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a prejudicial effect on the Placing, the relevant Placing Agent shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the relevant Placing Agent from their obligations under the relevant Placing Agreement.

Upon the giving of the above notice by any of the Placing Agents, all obligations of the relevant Placing Agent under the relevant Placing Agreement shall cease and determine and no party to the relevant Placing Agreement shall have any claim against any other party in respect of any matter or thing arising out of or in connection with such Placing Agreement provided however that the Company shall reimburse the relevant Placing Agent for all reasonable expenses or fees reasonably and properly incurred by such Placing Agent in connection with the relevant Placing Agreement.

For the purpose of the terms and conditions relating to termination and force majeure in each of the Placing Agreements set out above, but without limiting the generality of the foregoing:

(a) a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States of America shall be an event resulting or likely to result in a change in a currency nature; and

(b) volatility in market conditions in Hong Kong or elsewhere on or before or after the date of the relevant Placing Agreement shall be a factor in determining whether there has been or there is likely to be an occurrence or change in market conditions.

If any of the Placing Agreements terminates or is terminated in accordance with its terms, then the provisions of the relevant Placing Agreement shall ipso facto cease and determine and have no force or effect and no party to the relevant Placing Agreement shall have any claim against any other party, but without prejudice to the then accrued rights and obligations of the parties in respect of any antecedent breach of any obligations under the relevant Placing Agreement, any clause in the relevant Placing Agreement which shall survive after termination and to the continued application of all provisions of the relevant Placing Agreement relating to the interpretation or enforcement of such provisions.

Application for listing of the Placing Shares

Application will be made to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Fund raising activities in the past twelve months

The Company has not conducted any equity fund raising activity in the past 12 months immediately preceding the Latest Practicable Date.

Effect on shareholding structure

To the best of the Directors' knowledge having made all reasonable enquiry, the table below sets out the shareholding structure of the Company: (a) as at the Latest Practicable Date; and (b) immediately upon completion of the Placing (assuming that all the Placing Shares have been placed out by the Placing Agents and there is no other change in the issued share capital of the Company from the Latest Practicable Date to the date of completion of the Placing):

	As at the Latest Practicable Date		**Immediately upon completion of the Placing**	
	Number of Shares	*Approximate shareholding percentage*	*Number of Shares*	*Approximate shareholding percentage*
Yeung Chun Wai, Anthony *(Note 1)*	812,191,377	10.75%	812,191,377	2.49%
Nova Investment Group Limited *(Note 1)*	1,430,833,187	18.93%	1,430,833,187	4.40%
Sub-total	**2,243,024,564**	**29.68%**	**2,243,024,564**	**6.89%**
Sie Winston *(Note 2)*	70,000,000	0.93%	70,000,000	0.22%
Sino Advisor International Limited *(Note 2)*	667,000,000	8.83%	667,000,000	2.05%
Sub-total	**737,000,000**	**9.76%**	**737,000,000**	**2.27%**
Wong King Shiu, Daniel (*Note 3*)	3,000,000	0.04%	3,000,000	0.01%
Chan Chi Yuen (*Note 4*)	4,750,000	0.06%	4,750,000	0.01%
Public Shareholders				
The Placees (*Note 5*)	–	–	25,000,000,000	76.79%
Other public Shareholders	4,569,421,053	60.46%	4,569,421,053	14.03%
Sub-total	**4,569,421,053**	**60.46%**	**29,569,421,053**	**90.82%**
Total:	**7,557,195,617**	**100%**	**32,557,195,617**	**100%**

Notes:

1. Yeung Chun Wai, Anthony is an executive Director. Nova Investment Group Limited is beneficially and wholly-owned by Lui Lai Yan (spouse of Yeung Chun Wai, Anthony).

2. Sie Winston, who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, an Independent Third Party, held 100% direct interests in Sino Advisor International Limited.

3. Wong King Shiu, Daniel is an executive Director.

4. Chan Chi Yuen is an independent non-executive Director.

5. Each of the Placing Agents has undertaken to procure the Placees who and whose ultimate beneficial owners will be Independent Third Parties and it is expected that none of the Placees will become a substantial Shareholder upon completion of the Placing. Therefore, it is expected that each Placee will be a member of the public.

Based on the above table, upon completion of the Placing, it is expected that Yeung Chun Wai, Anthony, together with Lui Lai Yan, will remain as the single largest Shareholder.

Reasons for the Entering Into of the Placing Agreements and the Transactions Contemplated Thereunder

The Company proposed to acquire (or procure its nominee to acquire) 30% of the issued share capital of the Target Company, a company engaged in the smartphone development industry, pursuant to the terms and conditions of the Sale and Purchase Agreement. The Company intends to fund, among other things, (a) the Consideration; (b) the consideration for the assignment of the debts owed by Yota (Cyprus) to the Seller under the Bridge Loan Agreement; and (c) the loan to be granted by the Company to Yota (BVI) under the Yota BVI Loan Agreement, being the amount payable by the Company in respect of the transactions contemplated under the Sale and Purchase Agreement, through the proceeds of the Placing. Please refer to the section headed "Major Transaction" above for further details of the Sale and Purchase Agreement.

Taking into consideration the prevailing market conditions, the Board is of the view that the Placing represents a valuable opportunity for the Group to raise a substantial amount of funds to satisfy the payment obligations under the Sale and Purchase Agreement which in turn will allow the Company to tap into the smartphone development industry, and provide general working capital to the Group.

The Board considers that the terms of the Placing Agreements are fair and reasonable and the transactions contemplated therein are in the interests of the Company and the Shareholders as a whole.

PROPOSED INCREASE IN AUTHORISED SHARE CAPITAL

The existing authorised share capital of the Company is HK$150,000,000 divided into 15,000,000,000 Shares, of which 7,557,195,617 Shares were in issue as at the Latest Practicable Date. In order for the Company to carry out the Placing, the Board proposes to increase the authorised share capital of the Company to HK$650,000,000 divided into 65,000,000,000 Shares by the creation of an additional 50,000,000,000 Shares which shall rank *pari passu* with the existing Shares in all respects upon allotment and issue. Save for the Placing, as at the Latest Practicable Date, the Directors did not have any intention of issuing any part of the unissued authorised capital of the Company.

The Increase in Authorised Share Capital is subject to the approval of the Shareholders at the SGM.

PROPOSED CHANGE OF COMPANY NAME

The Board proposes to change the English name of the Company from "REX Global Entertainment Holdings Limited" to "China Baoli Technologies Holdings Limited" and to adopt the Chinese name "中國寶力科技控股有限公司" as the secondary name of the Company in place of the existing secondary name of the Company "御濠娛樂控股有限公司". The stock short name of the Company will also be changed accordingly.

Conditions

The proposed Change of Company Name is subject to (i) the passing of a special resolution by the Shareholders at the SGM; and (ii) the approval of the proposed new English name and the proposed new secondary name by the Registrar of Companies in Bermuda.

Reasons for the Change of Company Name

The Directors are of the opinion that the proposed new name of the Company provides a better identification for the Group which is in line with the Group's expansion in the technology business and to reflect the future business development of the Company more appropriately.

Effect of Change of Company Name

Subject to the satisfaction of the conditions set out above, the proposed Change of Company Name will become effective on the date on which the Registrar of Companies in Bermuda enters the new English name and the new secondary name on the register in place of the existing English name and the existing secondary name. Thereafter, the Company will carry out all necessary filing procedures with the Companies Registry in Hong Kong.

The Change of Company Name will not affect any of the rights of the existing Shareholders. All existing share certificates of the Company in issue bearing the existing name of the Company shall, after the Change of Company Name, continue to be evidence of title and valid for trading, settlement, registration and delivery for the same number of Shares in the new name of the Company. There will not be any arrangements for exchange of existing share certificates for new share certificates under the new name of the Company. Upon the Change of Company Name becoming effective, issue of share certificates of the Company thereafter will be in the new name and the Shares will be traded on the Stock Exchange in the new stock short name.

Further announcement(s) will be made by the Company to inform the effective date of the Change of Company Name and the arrangement for the trading and dealings in the Shares (including the date on which the Shares will be traded under the new stock short name on the Stock Exchange).

SGM

The SGM will be convened at which resolutions will be proposed for the Shareholders to consider, and, if thought fit, approve (a) the Sale and Purchase Agreement and the transactions contemplated thereunder; (b) the Placing Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Placing Shares; (c) the Increase in Authorised Share Capital; and (d) the Change of Company Name. A notice convening the SGM to be held at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Friday, 22 April 2016 at 2:30 p.m. is set out on pages 151 to 154 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders in relation to the resolutions to be proposed at the SGM must be taken by poll except for any resolution related purely to a procedural or administrative matter which may be voted on by a show of hands. Further announcement on the results of the poll vote will be made by the Company after the SGM.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, no Shareholders or any of their respective close associates have any material interest in the transactions contemplated under the Sale and Purchase Agreement, the transactions contemplated under the Placing Agreements including the grant of the Specific Mandate for the allotment and issue of the Placing Shares, the Increase in Authorised Share Capital and the Change of Company Name. As such, no Shareholder is required to abstain from voting under the Listing Rules on the resolutions to be proposed at the SGM.

Whether or not you intend to attend and vote at the SGM in person, you are requested to complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

RECOMMENDATION

The Board considers that the transactions contemplated under the Sale and Purchase Agreement and the Placing Agreements are on normal commercial terms which are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

The Board is of the view that the Increase in Authorised Share Capital and the Change of Company Name are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Shareholders to vote in favour of (a) the ordinary resolution to be proposed at the SGM to approve the Sale and Purchase Agreement and the transactions contemplated thereunder; (b) the ordinary resolution to be proposed at the SGM to approve the Placing Agreements and the transactions contemplated thereunder, including the grant of the Specific Mandate for the allotment and issue of the Placing Shares; (c) the ordinary resolution to be proposed at the SGM to approve the Increase in Authorised Share Capital; and (d) the special resolution to be proposed at the SGM to approve the Change of Company Name.

ADDITIONAL INFORMATION

Your attention is also drawn to the information as set out in the Appendices to this circular.

Yours faithfully,
By order of the Board
REX Global Entertainment Holdings Limited
Yeung Chun Wai, Anthony
Executive Director

CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements of the Group for the three years ended 31 March 2013, 2014 and 2015 and the unaudited consolidated financial statements of the Group for the six months ended 30 September 2015 together with the relevant notes thereto each of are disclosed in the following documents which have been published on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (http://www.aplushk.com/clients/00164rex-ent/index.html):

- pages 42 to 155 in the annual report of the Company for the year ended 31 March 2013 published on 27 June 2013;
- pages 42 to 159 in the annual report of the Company for the year ended 31 March 2014 published on 4 July 2014;
- pages 51 to 159 in the annual report of the Company for the year ended 31 March 2015 published on 20 July 2015; and
- pages 1 to 23 in the interim report of the Company for the six months ended 30 September 2015 published on 14 December 2015.

Each of the said consolidated financial statements of the Group is incorporated by reference to this circular and forms part of this circular. Please also see below the links to the relevant annual reports and interim report of the Company:

Annual Report 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0627/LTN20130627362.pdf

Annual Report 2014:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0704/LTN20140704527.pdf

Annual Report 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0720/LTN20150720248.pdf

Interim Report 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/1214/LTN20151214357.pdf

STATEMENT OF INDEBTEDNESS AND CONTINGENT LIABILITIES AS AT 31 JANUARY 2016

As at the close of business on 31 January 2016 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular), the Group had outstanding indebtedness denominated in Hong Kong dollars of approximately HK$112,958,000. The outstanding indebtedness comprised of (i) secured bank borrowing of approximately HK$9,524,000; (ii) unsecured placing notes bearing interest of 5% per annum with an outstanding amount of HK$30,000,000; (iii) amount due to a non-controlling shareholder of a subsidiary of approximately HK$22,246,000; and (iv) secured margin account payable of approximately HK$51,188,000.

Banking guarantee and facilities

As at 31 January 2016, the Group had pledged a leasehold building and land use rights to secure the bank loan granted to the Group.

As at 31 January 2016, the Group had pledged certain listed securities to secure margin account payable granted to the Group.

Save as aforesaid and apart from intra-group liabilities and normal trade and other payables, the Group did not, at as the close of business on 31 January 2016, have any mortgage, charges, debt securities issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, hire purchase or finance lease commitments, guarantees or other material contingent liabilities.

Save as disclosed above, the Directors have confirmed that there have been no material changes in the indebtedness and contingent liabilities of the Group since 31 January 2016, up to and including the Latest Practicable Date.

WORKING CAPITAL SUFFICIENCY

After due and careful consideration, the Directors are of the opinion that, in the absence of unforeseeable circumstances, after taking into account the Group's business prospects, internal resources, proceeds of the Placing and available credit facilities, the Group has sufficient working capital for its requirements for at least twelve months from the date of this circular.

FINANCIAL AND TRADING PROSPECTS

The principal business activity of the Company is investment holding. The Group is principally engaged in the entertainment business which includes a cruise ship management business and gamma ray irradiation service.

Entertainment business

The Group commenced the cruise ship business in late August 2014 by way of providing services in respect of certain management functions and core operations of a cruise ship (the "**Ship Management**"). These services include crew management, technical management, commercial management, insurance arrangements, etc. As the manager of the cruise ship, the Group is entitled to receive service income and management fees in respect of the Ship Management. The Group and its joint venture partner in the cruise ship business will continue to upgrade the guest rooms and the cruise ship's entertainment facilities on board with a view to enriching its customers' cruise experience and therefore broadening its customer base in the future.

Gamma ray irradiation services

In regards to the provision of gamma ray irradiation services by utilising gamma ray technologies, the Group will continue to increase its efforts to explore new customers with attempts to improve its services in order to meet customers' preferences and will further strengthen its operations by introducing ongoing innovation.

Looking ahead, the Group intends to adopt different strategies in order to minimise the impact of the economic adjustments in China and the global economy generally. The Group will continue to commit time and resources into its existing businesses.

Potential multimedia business

As set out in this circular, the Directors consider that the transactions contemplated under the Sale and Purchase Agreement present a good investment opportunity for the Group to participate in the smartphone development industry. The Directors consider that, via the Company's investment in the Target Company, the income stream of the Group would be diversified. Furthermore, the Group would be able to benefit from the experience and expertise of the Target Group and the synergies thereby created and would be better positioned in capturing the new opportunities arising from evolution in the smartphone development industry.

Look ahead, the Group has a strong network in China and it will continue to explore attractive investments and opportunities to diversify into different lines of business with high growth potential in order to maximise returns and enhance its shareholders' value. The Group will actively search for potential acquisition targets that operate through various platforms and channels including mobile devices and mobile applications.

NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position or prospect of the Group since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up.

The following is the text of a report, received from the Target Group's reporting accountants, KPMG Limited, Certified Public Accountants, in respect of the historical financial information of the Target Group, for the purpose of incorporation in this Circular.

14 Esperidon Street
1087 Nicosia
Cyprus

31 March 2016

The Board of Directors,
REX Global Entertainment Holdings Limited

Dear Sirs,

INTRODUCTION

We set out below our report on the consolidated financial information relating to Yota (the "Target Company") and its subsidiaries (hereafter collectively referred to as the "Target Group") which comprises the consolidated statements of financial position of the Target Group as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015 and the consolidated statements of profit or loss and other comprehensive income, the consolidated statements of changes in equity and the consolidated cash flow statements, for each of the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the nine month period ended 30 September 2015 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory notes (the "Financial Information"), for inclusion in the circular of REX Global Entertainment Holdings Limited ("the Company") dated 31 March 2016 (the "Circular") in connection with the proposed acquisition of 30% equity interest in the Target Company by the Company (the "Proposed Transaction").

The Target Company was incorporated in the Cayman Islands on 29 October 2014 as an exempted company with limited liability under the Companies Law CAP 22. Pursuant to a group reorganisation completed on 15 December 2014 (the "Reorganisation"), the Target Company became the holding company of the companies now comprising the Target Group, details of which are set out in note 1(a) of Section B. The Target Company has not carried on any business since the date of its incorporation save for the aforementioned Reorganisation.

As at the date of this report, no audited financial statements have been prepared for the Target Company and nine of its subsidiaries, details of which are set out in note 28 of Section B.

All companies comprising the Target Group have adopted 31 December as their financial year end date. Details of the companies comprising the Target Group that are subject to audit during the Relevant Periods and the names of the respective auditors are set out in note 28 of Section B. The statutory financial statements of these companies were prepared in accordance with the relevant accounting rules and regulations applicable to entities in the countries in which they were incorporated.

The directors of the Target Company have prepared the consolidated financial statements of the Target Group for the Relevant Periods on the same basis as used in the preparation of the Financial Information set out in Section B (the "Underlying Financial Statements"). The Underlying Financial Statements for each of the years ended 31 December 2012, 31 December 2013 and 31 December 2014 and the nine month period ended 30 September 2015 were audited by us, under separate terms of engagement with the Target Company, in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (the "IAASB").

The Financial Information has been prepared by the directors of the Target Company for inclusion in the Circular in connection with the Proposed Transaction based on the Underlying Financial Statements, with no adjustments made thereon, and in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

The directors of the Target Company are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with IFRS issued by the IASB and the applicable disclosure provisions of the 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 is free from material misstatement, whether due to fraud or error.

REPORTING ACCOUNTANTS' RESPONSIBILITY

Our responsibility is to form an opinion on the Financial Information based on our procedures performed in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. We have not audited any financial statements of the Target Group in respect of any period subsequent to 30 September 2015.

OPINION

In our opinion, the Financial Information gives, for the purpose of this report and on the basis of preparation set out in note 1 of Section B, a true and fair view of the financial position of the Target Group as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015 and of the Target Group's financial performance and cash flows for the Relevant Periods then ended.

Emphasis of matter

The Target Group incurred a loss of USD30,724,000 for the nine month period ended 30 September 2015 (year ended 31 December 2014: USD46,148,000, year ended 31 December 2013: USD19,998,000, year ended 31 December 2012: USD4,226,000) and, as at that date its current liabilities exceeded its current assets by USD112,013,000 (31 December 2014: USD86,322,000, 31 December 2013: USD39,601,000, 31 December 2012: USD7,746,000). These conditions, along with other matters as set forth in note 29 of Section B, indicate the existence of material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

CORRESPONDING FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited corresponding interim financial information of the Target Group comprising the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the nine month period ended 30 September 2014, together with the notes thereon (the "Corresponding Financial Information"), for which the directors of the Target Company are responsible, in accordance with International Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB.

The directors of the Target Company are responsible for the preparation of the Corresponding Financial Information in accordance with the same basis adopted in respect of the Financial Information. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

A. CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

'000 USD	Note	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Revenue	*5*	2,189	5,710	29,697	14,300	15,876
Cost of goods sold	*6*	(9)	(2,564)	(30,992)	(16,066)	(15,465)
Gross profit/(loss)		**2,180**	**3,146**	**(1,295)**	**(1,766)**	**411**
Operating expenses		(5,335)	(17,223)	(44,487)	(28,332)	(28,416)
Results from operating activities		**(3,155)**	**(14,077)**	**(45,782)**	**(30,098)**	**(28,005)**
Finance income	*7*	–	–	3,080	3,751	1,966
Finance costs	*7*	(1,137)	(2,621)	(3,767)	(2,444)	(4,584)
Impairment of non-current trade and other receivables	*7*	–	(3,336)	–	–	(92)
Net finance (costs)/income		**(1,137)**	**(5,957)**	**(687)**	**1,307**	**(2,710)**
Loss before income tax	*8*	**(4,292)**	**(20,034)**	**(46,469)**	**(28,791)**	**(30,715)**
Income tax	*9*	66	36	321	445	(9)
Loss for the year/period		**(4,226)**	**(19,998)**	**(46,148)**	**(28,346)**	**(30,724)**
Other comprehensive income						
Items that may be reclassified subsequently to profit or loss						
Foreign currency translation differences for foreign operations		(9)	32	1,403	288	1,220
Other comprehensive income, net of nil tax		**(9)**	**32**	**1,403**	**288**	**1,220**
Total comprehensive income for the year/period		**(4,235)**	**(19,966)**	**(44,745)**	**(28,058)**	**(29,504)**

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

'000 USD	Note	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Assets					
Property, plant and equipment	*10*	11	202	1,955	1,426
Intangible assets	*11*	3,279	13,997	14,889	11,918
Deferred tax assets	*9*	93	218	546	417
Trade and other receivables	*13*	20	875	834	650
Non-current assets		**3,403**	**15,292**	**18,224**	**14,411**
Inventories	*12*	7	1,363	9,786	9,016
Other financial assets	*14*	5	3,285	15,370	15,000
Trade and other receivables	*13*	717	4,761	13,287	4,151
Cash and cash equivalents	*15*	12,033	256	2,202	1,659
Current assets		**12,762**	**9,665**	**40,645**	**29,826**
Total assets		**16,165**	**24,957**	**58,869**	**44,237**
Equity					
Share capital	*16*	13	13	1	1
Reserves	*16*	(9)	23	2,394	3,614
Accumulated losses		(4,347)	(24,345)	(70,493)	(101,217)
Total equity		**(4,343)**	**(24,309)**	**(68,098)**	**(97,602)**
Liabilities					
Loans and borrowings	*18*	18,645	42,794	91,567	102,573
Trade and other payables	*20*	1,780	6,222	35,317	39,221
Current tax liabilities	*21*	83	250	83	45
Current liabilities		**20,508**	**49,266**	**126,967**	**141,839**
Total liabilities		**20,508**	**49,266**	**126,967**	**141,839**
Total equity and liabilities		**16,165**	**24,957**	**58,869**	**44,237**

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

'000 USD	Share capital	Shareholders contributions	Translation reserve	Accumulated losses	Total
Balance at 1 January 2012	**13**	**–**	**–**	**(121)**	**(108)**
Total comprehensive income					
Loss for the year	–	–	–	(4,226)	(4,226)
Other comprehensive income	–	–	(9)	–	(9)
Total comprehensive income	**–**	**–**	**(9)**	**(4,226)**	**(4,235)**
Balance at 31 December 2012	**13**	**–**	**(9)**	**(4,347)**	**(4,343)**
Total comprehensive income					
Loss for the year	–	–	–	(19,998)	(19,998)
Other comprehensive income	–	–	32	–	32
Total comprehensive income	**–**	**–**	**32**	**(19,998)**	**(19,966)**
Balance at 31 December 2013	**13**	**–**	**23**	**(24,345)**	**(24,309)**
Total comprehensive income					
Loss for the year	–	–	–	(46,148)	(46,148)
Other comprehensive income	–	–	1,403	–	1,403
Total comprehensive income	**–**	**–**	**1,403**	**(46,148)**	**(44,745)**
Transactions with shareholders					
Reorganisation	(12)	–	–	–	(12)
Income from the discounting of the non interest bearing loan from ultimate parent company	–	968	–	–	968
Total contributions	**(12)**	**968**	**–**	**–**	**956**
Balance at 31 December 2014	**1**	**968**	**1,426**	**(70,493)**	**(68,098)**
Total comprehensive income					
Loss for the period	–	–	–	(30,724)	(30,724)
Other comprehensive income	–	–	1,220	–	1,220
Total comprehensive income	**–**	**–**	**1,220**	**(30,724)**	**(29,504)**
30 September 2015	**1**	**968**	**2,646**	**(101,217)**	**(97,602)**

(Unaudited)

'000 USD	Share capital	Shareholders contributions	Translation reserve	Accumulated losses	Total
Balance at 1 January 2014	**13**	**–**	**23**	**(24,345)**	**(24,309)**
Total comprehensive income					
Loss for the period	–	–	–	(28,346)	(28,346)
Other comprehensive income	–	–	288	–	288
Total comprehensive income	**–**	**–**	**288**	**(28,346)**	**(28,058)**
Transactions with shareholders					
Income from the discounting of the non interest bearing loan from ultimate parent company	–	968	–	–	968
Total contributions	**–**	**968**	**–**	**–**	**968**
Balance at 30 September 2014	**13**	**968**	**311**	**(52,691)**	**(51,399)**

CONSOLIDATED STATEMENTS OF CASH FLOWS

'000 USD	Note	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Cash flows from operating activities						
Loss for the year/period		(4,226)	(19,998)	(46,148)	(28,346)	(30,724)
Adjustments for:						
Depreciation and amortisation	*8*	456	1,750	11,485	9,759	6,432
Impairment loss of trade and other receivables	*13*	–	–	1,792	1,944	624
Impairment loss of intangible assets	*11*	43	2,570	227	206	–
Write-downs of finished goods	*6, 12*	–	–	1,733	1,750	2,238
Provisions and employee benefits		82	157	43	181	27
Impairment of non-current other receivables	*13*	–	3,336	–	–	92
Net finance costs/(income)	*7*	1,137	2,621	687	(1,307)	2,618
Income from the discounting of the non interest bearing loan from ultimate parent company		–	–	968	968	–
Income tax	*9*	(66)	(36)	(321)	(445)	9
		(2,574)	**(9,600)**	**(29,534)**	**(15,290)**	**(18,684)**
Changes in:						
Inventories		(7)	(1,356)	(10,026)	(875)	(1,420)
Trade and other receivables		(66)	(6,334)	(9,787)	(3,281)	6,590
Prepayments for current assets		(663)	(1,882)	(73)	(287)	496
Trade and other payables		895	3,264	29,706	1,179	4,448
Cash flows used in operations before income taxes and interest paid		**(2,415)**	**(15,908)**	**(19,714)**	**(18,554)**	**(8,570)**
Income tax paid		–	(34)	(225)	(110)	–
Interest paid		(296)	(151)	(76)	(13)	(284)
Net cash used in operating activities		**(2,711)**	**(16,093)**	**(20,015)**	**(18,677)**	**(8,854)**

'000 USD	Note	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Cash flows from investing activities						
Proceeds from other financial assets		–	–	2,918	2,188	370
Acquisition of property, plant and equipment		(11)	(203)	(1,899)	(952)	(135)
Acquisition of intangible assets		(3,025)	(13,385)	(12,579)	(9,097)	(2,976)
Acquisition of other financial assets		(5)	(3,285)	(15,003)	(15,000)	–
Net cash used in investing activities		**(3,041)**	**(16,873)**	**(26,563)**	**(22,861)**	**(2,741)**
Cash flows from financing activities						
Proceeds from borrowings		17,805	22,337	54,986	46,426	10,963
Repayment of borrowings		–	(1,178)	(6,329)	(1,129)	–
Net cash generated from financing activities		**17,805**	**21,159**	**48,657**	**45,297**	**10,963**
Net increase/(decrease) in cash and cash equivalents		**12,053**	**(11,807)**	**2,079**	**3,759**	**(632)**
Cash and cash equivalents at start of the year/period	*15*	–	12,033	256	256	2,202
Effect of movements in exchange rates on cash and cash equivalents		(20)	30	(133)	97	89
Cash and cash equivalents at end of year/period	*15*	**12,033**	**256**	**2,202**	**4,112**	**1,659**

B. NOTES TO THE CONSOLIDATED FINANCIAL INFORMATION OF THE TARGET GROUP

1. Basis of preparation and significant accounting policies

The financial information has been prepared for the purposes of inclusion in the Circular and in accordance with this basis of preparation, including the significant accounting policies set out below.

Yota (the "Target Company") is a company incorporated in Cayman Islands. The Group financial information consolidate those of the Company and its subsidiaries (together referred to as the "Target Group").

(a) Organisation and operations

The Target Group commenced operations in the year 2011. The principal activity of the Target Group is the development and sales of high-tech electronics such as smartphones and modems. The Target Group has developed the world's first dual-screen, always-on smartphone, YotaPhone. Sales of YotaPhone Platinum (1st generation) commenced in December 2013. In December 2014, the Target Group commenced sales of YotaPhone Titanium (2nd generation) in some European countries, Russia, Hong Kong and Middle East.

Yota was established as a limited company by shares according to Cayman Islands legislation on 29 October 2014 and became the parent company of the Target Group on 15 December 2014.

The subsidiaries of the Target Company comprise the companies: Yota Devices Ltd and Yota Devices IPR Ltd incorporated in Cyprus and British Virgin Islands respectively. Yota Devices Ltd has subsidiaries (remaining Target Group companies).

The following entities of the Target Group (the "Consolidated entities") are included in the Financial Information:

Legal name	Year of incorporation/ establishment	Place of incorporation/ establishment	Principal activities
Yota Devices IPR Ltd	2011	British Virgin Islands	Asset holding and management company
Yota Devices Ltd	2011	Republic of Cyprus	Research and development of Yota Devices hardware and software, marketing, certification, selling goods, management of supply chain and production
Yota Devices LLC	2012	Russian Federation	Research and development of Yota Devices software, marketing, certification, selling goods
Yota Devices Oy	2013	Finland	Research and development of Yota Devices hardware and software
Yota Devices PTE Ltd	2013	Singapore	Representative office, management of supply chain and production
Yota Devices Deutschland GmbH	2014	Germany	Marketing and sales support in EMEA region
Yota Devices Hong Kong Ltd	2014	Hong Kong	Marketing and sales support in the Peoples Republic of China ("the PRC"), Hong Kong and Taiwan
江蘇優它通信科技有限公司 Jiangsu Youta Telecommunication LLC[1]	2014	The PRC	Dormant company
Yota Canada Ltd	2014	Canada	Develop a licensable platform technology stack to support opportunities for OEM EPD integrations Support development of YotaPhone apps by 3rd parties and global alliance partners Customize YotaPhone software for North and South American operators

Legal name	Year of incorporation/ establishment	Place of incorporation/ establishment	Principal activities
優特進出口(深圳)有限公司 Yota Import & Export (Shenzhen) Co. Ltd[1]	2015	The PRC	Holding and investment company for the operations in the PRC
深圳優達進出口有限公司 Shenzhen Youda Import & Export Co. Ltd[1]	2015	The PRC	Marketing support and sales in the PRC
深圳優他進出口有限公司 Shenzhen Youta Import & Export Co. Ltd[1]	2015	The PRC	Dormant company

All companies are 100% owned by Yota directly or indirectly.

(b) Business environment

The Russian Federation financial markets display characteristics of an emerging market. The legal, tax and regulatory frameworks continue development, but are subject to varying interpretations and frequent changes which together with other legal and fiscal impediments contribute to the challenges faced by entities operating in the Russian Federation.

The recent conflict in Ukraine and related events has increased the perceived risks of doing business in the Russian Federation. The imposition of economic sanctions on Russian individuals and legal entities by the European Union, the United States of America, Japan, Canada, Australia and others, as well as retaliatory sanctions imposed by the Russian government, has resulted in increased economic uncertainty including more volatile equity markets, a devaluation of the Russian Rouble, a reduction in both local and foreign direct investment inflows and a significant tightening in the availability of credit. In particular, some Russian entities may be experiencing difficulties in accessing international equity and debt markets and may become increasingly dependent on Russian state banks to finance their operations. The longer term effects of recently implemented sanctions, as well as the threat of additional future sanctions, are difficult to determine.

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[1] *The English translation of the company names is for reference only. The official names of these companies are in Chinese.*

The Cyprus economy has been adversely affected by the crisis in the Cyprus banking system in conjunction with the inability of the Republic of Cyprus to borrow from international markets. These events led to negotiations between the Republic of Cyprus and the European Commission, the European Central Bank and the International Monetary Fund (the "Troika") for financial support which resulted into the Eurogroup decisions on 25 March 2013. The decisions involved:

i. The formulation of an Economic Adjustment Program for the country entailing the provision of financial assistance of up to €10 billion, the disbursements of which are subject to ongoing reviews by the Troika.

ii. the restructuring of the two largest (systemic) banks in Cyprus through a "bail in".

During 2014 the banking sector in Cyprus undertook significant measures in anticipation of and subsequent to the EU-wide comprehensive assessment which consisted of thorough asset quality reviews and stress tests, and as a result it was recapitalised. Nevertheless the banking sector continues to face challenges due to the high level of non-performing loans and the limited availability of credit.

A significant part of the Target Group's operations is located in the Russian Federation and Cyprus and consequently, the Target Group is exposed to the economic and financial markets of those countries.

The uncertain economic conditions in Cyprus as described above, as well as the anaemic economic growth and/or economic recession in many Eurozone countries and other business partners, such as Russia and Ukraine, could affect the Group's financial activity.

The Financial Information reflects management's assessment of the impact of the business environment on the operations and the financial position of the Target Group. The future business environment may differ from management's assessment.

(c) Statement of compliance

The Financial Information set out in this report has been prepared and approved by the directors in accordance with all applicable International Financial Reporting Standards ("IFRS"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board ("IASB"). Further details of the significant accounting policies adopted are set out in the remainder of this Section B.

The unaudited financial information for the nine month period ended 30 September 2014 has been prepared in accordance with the same basis and accounting policies adopted in respect of the Financial Information.

The IASB has issued a number of new and revised IFRS. For the purpose of preparing this Financial Information, the Target Group has adopted all applicable new and revised IFRS to the Relevant Periods, except for any new standards or interpretations that are not yet effective for the accounting year beginning 1 January 2015. The revised and new accounting standards and interpretations issued but not yet effective for the accounting year beginning 1 January 2015 are set out in note 2.

The Financial Information also complies with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

(d) Going concern

The Financial Information has been prepared assuming the Target Group will continue as a going concern notwithstanding the net current liabilities of the Target Group as at 31 December 2012, 31 December 2013, 31 December 2014 and 30 September 2015. The directors are of the opinion that, based on a detailed review of the working capital forecast of the Target Group for the years ending 31 December 2018, the Target Group will have necessary liquid funds to finance its working capital and capital expenditure requirements.

(e) Presentation currency

The Financial Information is presented in United States dollars ("USD"), rounded to the nearest thousand.

(f) Measurement convention

The Financial Information is prepared on the historical cost basis except where IFRS require an alternative treatment.

(g) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in this Financial Information, and have been applied consistently by Group entities.

(i) Basis of consolidation

The Financial Information comprises the Company and its subsidiaries and has been prepared using the pooling of interest accounting principles as if the Group had always been in existence. The Company was incorporated in the Cayman Islands on 29 October 2014. Pursuant to the Reorganisation which was completed on 15 December 2014, Yota became the holding company of the companies now comprising the Group. The companies that took part in the reorganisation were controlled by Telconet Capital Limited partnership (''Telconet'' or the ''Ultimate Parent Company'') prior to and after the Reorganisation. The control is not transitionary and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholder. Therefore, the Reorganisation is considered as a business combination of entities under common control.

Combination of business under common control

A business combination in which the combining entities are ultimately controlled by the same individual both before and after the combination and the control is not transitory is accounted for using the pooling of interests accounting principles (otherwise known as ''carry over accounting'' or ''predecessor accounting''). The principles of predecessor accounting are:

- The Target Group does not restate assets and liabilities to their fair values. Instead the Target Group incorporates the assets and liabilities at the amounts recorded in the books of the acquired company (the predecessor carrying values) adjusted only to achieve harmonisation of accounting policies.
- No goodwill arises in predecessor accounting. Differences between the consideration given and the aggregate book value of the assets and liabilities are included in equity in retained earnings.

- The Financial Information incorporates the acquired entity's results as if both entities (acquirer and acquiree) had always been combined from the date that common control was achieved. Consequently, the Financial Information reflects both entities' full year's results, even though the business combination may have occurred part of the way through the period. In addition, the corresponding amounts for the previous years also reflect the combined results of both entities, even though the transaction did not occur until the current period.

Subsidiaries

Subsidiaries are entities controlled by the Target Group. The Target Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Financial Information from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Target Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated.

(ii) Revenue

The Target Group recognises revenue when persuasive evidence of an arrangement exists, delivery has occurred, the sales price is fixed or determinable and collection is probable. A product is considered delivered to the customer once it has been shipped and title, risk of loss and rewards of ownership have been transferred.

Net sales consist of revenue from the sale of smartphones ("YotaPhone"), connectivity devices and software licenses required for router and modem usage ("Modems").

(iii) Warranty provision

The Target Group provides for the estimated cost of warranties at the time the related revenue is recognised based on historical and projected warranty claim rates, and knowledge of specific product failures. At each reporting date, the Target Group re-evaluates these estimates to assess the adequacy of its recorded warranty liabilities.

(iv) Finance income and costs

The Target Group's finance income and finance costs include:

- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- impairment losses recognised on non-current other receivables;

Interest income or expense is recognised using the effective interest method.

(v) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Target Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date.

The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured based on historical cost are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising in translation are recognised in profit or loss, except for differences arising on the translation of available-for-sale equity instruments which are recognised in other comprehensive income.

Foreign operations

The assets and liabilities of foreign operations are translated to the presentation currency at the exchange rates at the reporting date. The income and expenses of foreign operations are translated to the presentation currency at exchange rates at the dates of the transactions, or by applying exchange rate for a period of transactions if deemed appropriate.

Foreign currency differences are recognised in other comprehensive income, and presented in the translation reserve in equity. However, if the operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to non-controlling interests.

(vi) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Target Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

(vii) Income tax

Income tax expense comprises current and deferred tax and is recognised in profit or loss except to items recognised directly in equity or in other comprehensive income.

Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Target Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and taxable temporary differences arising on the initial recognition of goodwill.

A deferred tax asset is recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Target Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

In determining the amount of current and deferred tax the Target Group takes into account the impact of uncertain tax positions and whether additional taxes, penalties and late-payment interest may be due. The Target Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Target Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact the tax expense in the period that such a determination is made.

(viii) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(ix) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares, net of any tax effects, are recognised as a deduction from equity.

(x) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Any gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expenses in profit or loss.

Depreciation

Items of property, plant and equipment are depreciated from the date that they are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use. Depreciation is based on the cost of an asset less its estimated residual value.

Depreciation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment.

Other fixed assets	1-5 years
Titanium tooling	21-26 months

(xi) Intangible assets

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss as incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Target Group intends to and has sufficient resources to complete development and to use or sell the asset.

Other intangible assets

Other intangible assets that are acquired by the Target Group, which have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in the profit or loss as incurred.

Amortisation

Amortisation is based on the cost of the asset less its estimated residual value.

Amortisation is generally recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use since this most closely reflects the expected pattern of consumption of future economic benefits embodied in the asset. The estimated useful lives for the current and comparative periods are as follows:

- software licenses 2-10 years;
- capitalised development costs 1-5 years.

Patents and trademarks are subject to annual review for impairment on each reporting date.

Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate.

(xii) Financial instruments

The Target Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

The Target Group classifies non-derivative financial liabilities into the other financial liabilities category.

(1) Non-derivative financial assets and financial liabilities – recognition and derecognition

The Target Group initially recognises loans and receivables on the date that they are originated. All other financial assets and financial liabilities are recognised initially on the trade date at which the Target Group becomes a party to the contractual provisions of the instrument.

The Target Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Target Group is recognised as a separate asset or liability.

The Target Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Target Group currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. The Target Group currently has a legally enforceable right to set off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the Target Group and all counterparties.

<u>Loans and receivables</u>

Loans and receivables are a category of financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category comprise the following classes of financial assets: trade and other receivables as presented in note 13, cash and cash equivalents as presented in note 15 and bank deposits presented as other financial assets in note 14.

<u>Cash and cash equivalents</u>

Cash and cash equivalents comprise cash balances, call deposits and highly liquid investments with maturities of three months or less from the acquisition date that are subject to insignificant risk of changes in their fair value.

In the statement of cash flows, cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Target Group's cash management.

<u>Available-for-sale financial assets</u>

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Unquoted equity instruments whose fair value cannot reliably be measured are carried at cost.

(2) Non-derivative financial liabilities – measurement

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings and trade and other payables.

(xiii) Impairments

Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Target Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets with indefinite useful lives are tested annually for impairment.

For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating unit (CGU).

The Target Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. 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 or CGU.

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(xiv) Provisions

A provision is recognised if, as a result of a past event, the Target Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

(xv) Operating leases

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

2. New standards and interpretations not yet adopted

A number of new Standards, amendments to Standards and Interpretations are not yet effective for periods beginning 1 January 2015, and have not been applied in preparing this Financial Information.

- IAS 27 (Amendments) "Equity method in separate financial statements" (effective for annual periods beginning on or after 1 January 2016).
- IAS 1 (Amendments): Disclosure Initiative (effective for annual periods beginning on or after 1 January 2016).
- Annual Improvements to IFRSs 2012-2014 Cycle (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 38 (Amendments) "Clarification of acceptable methods of depreciation and amortisation" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 11 (Amendments) "Accounting for acquisitions of interests in Joint Operations" (Amendments) (effective for annual periods beginning on or after 1 January 2016).
- IAS 16 and IAS 41 (Amendments) "Bearer plants" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 14 "Regulatory Deferral Accounts" (effective for annual periods beginning on or after 1 January 2016).
- IFRS 10, IFRS 12 and IAS 28 (Amendments) "Investment Entities: Applying the Consolidation Exception" (effective for annual periods beginning on or after 1 January 2016).
- IAS 7 (Amendments) "Disclosure Initiative" (effective for annual accounting periods beginning on or after 1 January 2017).

- IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses" (effective for annual accounting periods beginning on or after 1 January 2017).
- IFRS 15 "Revenue from contracts with customers" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018).
- IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).

The Board of Directors expects that the adoption of these Standards in future periods will not have a significant effect on the Financial Information of the Target Group except for the following:

IFRS 9 Financial Instruments

IFRS 9 replaces the existing guidance in IAS 39 *Financial instruments: Recognition and measurement.* IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including IAS 18 *Revenue*, IAS 11 *Construction contracts* and IFRIC 13 *Customer Loyalty Programmes.* It also includes guidance on when to capitalise costs of obtaining or fulfilling a contract not otherwise addressed in other standards, and includes expanded disclosure requirements.

The Target Group does not plan to early adopt the above new Standards or amendments. With respect to IFRSs 9 and 15, given the Target Group has not completed its assessment of their full impact on the Group, their possible impact on the Target Group's results of operations and financial position has not been quantified.

3. Functional and presentation currency

The United States Dollar ("USD") is the functional currency of Cyprus entity – Yota Devices Ltd, Singapore entity – Yota Devices PTE Ltd, Yota Devices Hong Kong Ltd and BVI entity – Yota Devices IPR Ltd. Russian Rouble ("RUB") is the functional currency of Russian entity – Yota Devices LLC, China Yuan ("CNY") is the functional currency of China entities – Jiangsu Youta Telecommunication LLC, Yota Import & Export (Shenzhen) Co. Ltd, Shenzhen Youda Import & Export Co. Ltd and Shenzhen Youta Import & Export Co. Ltd and Euro ("EUR") is the functional currency of Finland and German entities – Yota Devices Oy and Yota Devices Deutchland GmbH., Canadian Dollar ("CAD") is the functional currency of Yota Canada Ltd.

Management has elected to use the USD as the presentation currency of the Financial Information. All financial information presented in USD has been rounded to the nearest thousand.

The results and financial position of subsidiaries whose functional currency is different from the presentation currency are translated into presentation currency using the following procedures:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income presented are translated at exchange rates at the dates of the transactions; and
- all resulting exchange differences shall be recognised in other comprehensive income.

4. Use of estimates and judgments

The preparation of Financial Information in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The most critical judgments in applying accounting policies that have the most significant effect on the amounts recognised in the Financial Information is included in the note 11 Intangible assets in relation to the following:

- determination of useful lives of intangible assets; and
- split of development costs between components with different useful lives (YotaPhone Dual Screen Core (Platform) and each generation of YotaPhone);
- impairment test of intangible assets.
- development cost capitalisation: determination of technological and economic feasibility of a product;

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- Note 11(b) – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs.

Measurement of fair values

A number of the Target Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Target Group uses market observable data as far as possible.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows.

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

If the inputs used to measure the fair value of an asset or a liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The Target Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

5. Revenue

’000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
YotaPhone	–	2,150	15,521	5,717	13,576
Connectivity devices	–	115	13,263	7,680	1,349
Software and other revenue	2,189	3,445	913	903	951
Total revenue	**2,189**	**5,710**	**29,697**	**14,300**	**15,876**

Geographical analysis of revenue

’000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Russia	2,189	5,710	19,664	8,863	8,055
Asia	–	–	6,054	2,684	3,302
Rest of the world	–	–	3,979	2,753	4,519
Total revenue	**2,189**	**5,710**	**29,697**	**14,300**	**15,876**

The main geographical areas that the Target Group targets its sales are Russia, Asia and the rest of the world.

6. Cost of goods sold

'000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Finished goods and assembling components (YotaPhone) excluding provisions	9	2,372	14,697	5,322	11,828
Finished goods (Connectivity devices)	–	192	12,770	7,050	1,399
Write-down of inventories *(note 12)*	–	–	1,733	1,750	2,238
Provisions for prepayments *(note 13)*	–	–	1,792	1,944	–
Total cost of goods sold	**9**	**2,564**	**30,992**	**16,066**	**15,465**

7. Net finance income/(costs)

'000 USD	*Note*	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Interest income on deposits		–	–	20	20	–
Net foreign exchange gain		–	–	3,060	3,731	1,966
Total Finance income		**–**	**–**	**3,080**	**3,751**	**1,966**
Interest expense on loans from previous Shareholder	*26*	(480)	(1,090)	(2,802)	(1,766)	(2,728)
Interest expense on 3rd party loans		(10)	(210)	(929)	(678)	(1,097)
Net foreign exchange loss		(647)	(1,321)	(36)	–	–
Interest expense on loan from Ultimate parent company	*26*	–	–	–	–	(759)
Impairment of non-current other receivables		–	(3,336)	–	–	(92)
Total Finance costs		**(1,137)**	**(5,957)**	**(3,767)**	**(2,444)**	**(4,676)**
Net finance income/(costs) recognised in profit or loss		**(1,137)**	**(5,957)**	**(687)**	**1,307**	**(2,710)**

Interest expense in amount of USD759,000 for the nine month period ended 30 September 2015 represents the unwinding effect on the discounting of non interest-bearing loan from Telconet Capital Limited Partnership, the Ultimate Parent Company (principal amount USD15,000,000).

Interest charged to the statement of comprehensive income in an amount of USD4,584,000 for the nine month period ended 30 September 2015 (year ended 31 December 2014: USD3,731,000, nine month period ended 30 September 2014: USD2,444,000, year ended 31 December 2013: USD1,300,000, year ended 31 December 2012: USD490,000) does not include USD36,000 for the nine month period ended 30 September 2015 (year ended 31 December 2014: USD395,000, nine month period ended 30 September 2014: USD259,000, year ended 31 December 2013: USD521,000, year ended 31 December 2012: USD56,000) of interest capitalised into Intangible Assets.

8. Loss before income tax

Loss before income tax is stated after charging the following items:

'000 USD	*Note*	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Salaries		1,335	4,092	8,462	5,293	6,234
Social contributions		126	359	967	658	573
		1,461	4,451	9,429	5,951	6,807
Depreciation	*10*	1	25	137	59	695
Amortisation	*11*	455	1,725	11,348	9,700	5,737
Research and development		1,160	349	6,319	4,151	2,994
Marketing and promotion		110	3,606	9,725	4,349	6,868
Travel expenses		715	1,415	2,798	1,715	1,139
Professional services – consulting		819	1,383	575	596	900
Provision for penalties		–	–	–	–	967
Independent auditors remuneration		19	133	167	32	37
Operating lease charges		76	209	603	453	477
Impairment of intangible assets	*11*	43	2,570	227	206	–

Research and development expenses mainly represent those costs in relation to development of YotaPhones which were not eligible for capitalisation according to IAS 36. The amount of research and development costs also includes expenditure in respect of the new products which development was ceased in accordance with management decision.

9. Income tax

'000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Current tax expense	(24)	(100)	(292)	–	(9)
Deferred tax expense					
Origination and reversal of temporary differences	90	136	613	445	–
Total tax (expense)/income	66	36	321	445	(9)

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income

The Companies comprising the Target Group are subject to tax in their country of incorporation. The applicable tax rates are set out in the following table. British Virgin Islands and Cayman Islands are tax free jurisdictions.

'000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Russia	20%	20%	20%	20%	20%
Cyprus	10%	12.5%	12.5%	12.5%	12.5%
Finland	N/A	24.5%	20%	20%	20%
Singapore	N/A	17%	17%	17%	17%
Germany	N/A	N/A	29.58%	29.58%	29.65%
Hong Kong	N/A	N/A	16.5%	16.5%	16.5%
The PRC	N/A	N/A	25%	25%	25%
Canada	N/A	N/A	26.5%	26.5%	26.5%

(b) Reconciliation of tax based on taxable income and tax based on accounting profit:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (Unaudited)	9 month period ended 30 September 2015
	'000 USD	*'000 USD*	*'000 USD*	*'000 USD*	*'000 USD*
Loss before tax from operations	4,292	20,034	46,469	28,791	30,715
Tax using the Company's domestic tax rate	–	–	–	–	–
Effect of tax rates in foreign jurisdictions	62	15	483	580	(13)
Non-deductible expenses	–	–	(176)	(147)	–
Non-taxable income	4	21	14	12	4
	66	**36**	**321**	**445**	**(9)**

(c) Recognised deferred tax assets and liabilities

Deferred tax assets are attributable to the following:

	Assets			
'000 USD	**Year ended 31 December 2012**	**Year ended 31 December 2013**	**Year ended 31 December 2014**	**9 month period ended 30 September 2015**
Tax loss carry-forwards	93	218	546	417
Deferred tax assets	**93**	**218**	**546**	**417**

Deferred tax asset relates to tax losses carried forward of Russian entity – Yota Devices LLC. Management believes that these deferred tax asset will be utilised against future profits. According to Russian tax legislation tax losses can be utilised within a 10 year period.

For the nine month period ended 30 September 2015 deferred tax assets in the amount of USD790,000 (year ended 31 December 2014: nil, nine month period ended 30 September 2014: nil, year ended 31 December 2013: nil, year ended 31 December 2012: nil), have not been recognised in respect of tax losses incurred by Yota Devices LLC.

(d) Movement in deferred tax balances

'000 USD	1 January 2012	Recognised in profit or loss	Translation reserve	31 December 2012
Tax loss carry-forwards	–	91	2	93
	–	**91**	**2**	**93**

'000 USD	1 January 2013	Recognised in profit or loss	Translation reserve	31 December 2013
Tax loss carry-forwards	93	136	(11)	218
	93	**136**	**(11)**	**218**

'000 USD	1 January 2014	Recognised in profit or loss	Translation reserve	31 December 2014
Tax loss carry-forwards	218	613	(285)	546
	218	**613**	**(285)**	**546**

'000 USD	1 January 2015	Recognised in profit or loss	Translation reserve	30 September 2015
Tax loss carry-forwards	546	–	(129)	417
	546	**–**	**(129)**	**417**

10. Property, plant and equipment

'000 USD	Titanium tooling	Other fixed assets	Total
Cost			
Balance at 1 January 2012	–	–	**–**
Additions for the year	–	11	**11**
Foreign exchange	–	1	**1**
Balance at 31 December 2012	**–**	**12**	**12**
Additions for the year	–	227	**227**
Foreign exchange	–	(12)	**(12)**
Balance at 31 December 2013	**–**	**227**	**227**
Additions for the year	1,780	248	**2,028**
Disposal	–	(18)	**(18)**
Foreign exchange	–	(150)	**(150)**
Balance at 31 December 2014	**1,780**	**307**	**2,087**
Additions for the period	158	63	**221**
Disposal	–	(58)	**(58)**
Foreign exchange	–	(20)	**(20)**
Balance at 30 September 2015	**1,938**	**292**	**2,230**
Accumulated depreciation			
Balance at 1 January 2012	–	–	**–**
Depreciation for the year	–	(1)	**(1)**
Balance at 31 December 2012	**–**	**(1)**	**(1)**

’000 USD	Titanium tooling	Other fixed assets	Total
Depreciation for the year	–	(25)	**(25)**
Foreign exchange	–	1	**1**
Balance at 31 December 2013	**–**	**(25)**	**(25)**
Depreciation for the year	(62)	(75)	**(137)**
Foreign exchange	–	30	**30**
Balance at 31 December 2014	**(62)**	**(70)**	**(132)**
Depreciation for the period	(630)	(65)	**(695)**
Disposal	–	8	**8**
Foreign Exchange	–	15	**15**
Balance at 30 September 2015	**(692)**	**(112)**	**(804)**
Carrying amounts			
At 31 December 2012	**–**	**11**	**11**
At 31 December 2013	**–**	**202**	**202**
At 31 December 2014	**1,718**	**237**	**1,955**
At 30 September 2015	**1,246**	**180**	**1,426**

11. Intangible assets

'000 USD	Industrial design	Patents	Software licenses	Trademarks	Other intangibles	Total
Cost						
Balance at 1 January 2012	**–**	**270**	**–**	**–**	**–**	**270**
Additions for the year	2,313	191	1,137	–	3	**3,644**
Balance at 31 December 2012	**2,313**	**461**	**1,137**	**–**	**3**	**3,914**
Additions for the year	14,331	607	31	33	11	**15,013**
Balance at 31 December 2013	**16,644**	**1,068**	**1,168**	**33**	**14**	**18,927**
Additions for the year	11,850	529	–	94	–	**12,473**
Write-offs for the year	(12,805)	–	–	–	(6)	**(12,811)**
Balance at 31 December 2014	**15,689**	**1,597**	**1,168**	**127**	**8**	**18,589**
Additions for the period	1,759	184	–	801	25	**2,769**
Write-offs for the period	–	–	(1,168)	–	(3)	**(1,171)**
Balance at 30 September 2015	**17,448**	**1,781**	**–**	**928**	**30**	**20,187**
Amortisation and impairment losses						
Balance at 1 January 2012	**–**	**(137)**	**–**	**–**	**–**	**(137)**
Amortisation for the year	–	–	(455)	–	–	**(455)**
Impairment losses for the year	–	(43)	–	–	–	**(43)**
Balance at 31 December 2012	**–**	**(180)**	**(455)**	**–**	**–**	**(635)**
Amortisation for the year	(1,270)	–	(455)	–	–	**(1,725)**
Impairment losses for the year	(2,440)	(130)	–	–	–	**(2,570)**
Balance at 31 December 2013	**(3,710)**	**(310)**	**(910)**	**–**	**–**	**(4,930)**
Amortisation for the year	(11,090)	–	(258)	–	–	**(11,348)**
Impairment losses for the year	–	(227)	–	–	–	**(227)**
Write offs for the year	12,805	–	–	–	–	**12,805**
Balance at 31 December 2014	**(1,995)**	**(537)**	**(1,168)**	**–**	**–**	**(3,700)**

'000 USD	Industrial design	Patents	Software licenses	Trademarks	Other intangibles	Total
Amortisation for the period	(5,737)	–	–	–	–	**(5,737)**
Write offs for the period	–	–	1,168	–	–	**1,168**
Balance at 30 September 2015	**(7,732)**	**(537)**	**–**	**–**	**–**	**(8,269)**
Carrying amounts						
At 31 December 2012	**2,313**	**281**	**682**	**–**	**3**	**3,279**
At 31 December 2013	**12,934**	**758**	**258**	**33**	**14**	**13,997**
At 31 December 2014	**13,694**	**1,060**	**–**	**127**	**8**	**14,889**
At 30 September 2015	**9,716**	**1,244**	**–**	**928**	**30**	**11,918**

During the nine month period ended 30 September 2015 so as to finalize the registration of TM Yota and TM YotaPhone in China, the Target Group purchased from a non-affiliated entity an intangible asset, which might compete with the above trademarks, for EUR700,000 (USD801,000). This acquisition is expected to allow the Target Group to proceed with the completion of the registration of TM Yota and TM YotaPhone in China.

(a) Amortisation

The amortisation of industrial design and software licenses is recognised as operating expense for the period *(note 8)*.

(b) Impairment test

Regarding patents, Management recognised specific impairment on patents which became obsolete as at the reporting date. The impairment loss for the nine month period ended 30 September 2015 is USDnil (year ended 31 December 2014: USD227,000; year ended 31 December 2013: USD130,000; year ended 31 December 2012: USD43,000).

For industrial design, impairment test is performed as at each year/period end (except as at 31 December 2012 when the development of new smartphone just began). Management has identified one CGU, which relates to industrial design used for smartphones production. The recoverable amount was estimated to be higher than the carrying amount of the unit, and no impairment was recognised for the nine month period ended 30 September 2015 (year ended 31 December 2014: no impairment recognised, year ended 31 December 2013: impairment of USD2,440,000 recognised, year ended 31 December 2012: no impairment recognised).

The impairment loss of intangible assets is recognised in operating expenses.

The recoverable amount of the CGU as at the year/period end was as follows.

'000 USD	**Year ended 31 December 2013**	**Year ended 31 December 2014**	**9 month period ended 30 September 2015**
Smartphones	12,934	19,728	48,419
Recoverable amount	**12,934**	**19,728**	**48,419**

The recoverable amount of the CGU was based on its value in use, determined by discounting future cash flows to be generated from the continuing use of the CGU. The carrying amount of industrial design is lower than its recoverable amount by USD38,703,000 and no impairment loss was recognised as at 30 September 2015 (as at 31 December 2014: USD6,034,000).

As at 31 December 2013, the carrying amount was higher than its recoverable amount by USD2,440,000 and an impairment loss of USD2,440,000 was attributed to the industrial design.

Cash flows were projected based on past experience, actual operating results and the latest available business plan at each reporting date.

The key assumptions used in the estimation of value in use are discount rates.

	At 31 December 2012	At 31 December 2013	At 31 December 2014	At 30 September 2015
Sales volumes *(million items)*	N/A	2.9	1.2	3.9
Gross Margin *(%)*	N/A	15%	19%	17%
Discount Rates	N/A	16%	16%	16%

(i) Discount rate

A pre-tax discount rate of 16% was applied in determining the recoverable amount of intangible assets. The discount rate was estimated based on past experience, and industry average weighted-average cost of capital, which was based on a possible range of debt leveraging.

(ii) Sensitivity to changes in assumptions

The table below shows key assumptions required to change individually in order for the estimated recoverable amount to be equal to the carrying amount.

	Change required for carrying amount to equal the recoverable amount			
	At 31 December 2012	At 31 December 2013	At 31 December 2014	At 30 September 2015
Pre-tax discount rate	–	-2%	+19%	+54%
Gross margin	–	+2%	-7.2%	-16.46%
Sales volume	–	+2.1%	-7.7 %	-40.07%

(c) Development costs

Included in industrial design the capitalised development costs in amount of USD17,448,000 (year ended 31 December 2014: USD15,689,000, year ended 31 December 2013: USD16,644,000, year ended 31 December 2012: USD2,313,000) represent costs incurred by the Target Group for the development of YotaPhone. The costs mainly include labour costs, material costs, services costs and other costs eligible for capitalisation in accordance with the Target Group accounting policy.

(d) Capitalised interest

The amount of interest capitalised in intangible assets during the nine month period ended 30 September 2015 comprised USD36,000 (year ended 31 December 2014: USD395,000, year ended 31 December 2013: USD521,000, year ended 31 December 2012: USD56,000). Weighted average capitalisation rate is 5% (year ended 31 December 2014: 6%, year ended 31 December 2013: 6%, year ended 31 December 2012: 6%).

12. Inventories

Finished goods of the Target Group are mainly represented by YotaPhone and assembling components. The manufacturing is performed by an outsourcing company located in Asia and other companies from the rest of the world. Although the Target Group works closely with the outsourcing companies on manufacturing schedules, the Target Group's operating results could be adversely affected if the outsourcing companies were unable to meet their production commitments.

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
YotaPhone – finished goods	–	580	9,583	11,883
Modems – finished goods	–	269	546	1,482
Assembling components and consumables	7	514	1,390	1,415
Provision for write-downs	–	–	(1,733)	(5,764)
Total inventories	**7**	**1,363**	**9,786**	**9,016**

'000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Inventories recognised as an expense during the year/period and included in the cost of sales	9	2,564	27,467	12,372	13,227

Provision for write-downs

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Provision for obsolete goods (YotaPhone Platinum)	–	–	1,733	3,018
NRV provision for YotaPhone Titanium	–	–	–	2,189
Provision for defective YotaPhone Titanium	–	–	–	557
Total Provisions	**–**	**–**	**1,733**	**5,764**

As at 30 September 2015 a provision for obsolensce in amount of USD3,018,000 was made in respect of YotaPhone Platinum (2014: USD1,733,000, 2013: nil, 2012: nil). As at 30 September 2015 net realizable value provision in amount of USD2,189,000 was made in respect of YotaPhone Titanium (2014: nil, 2013: nil, 2012: nil). Total provision as at 30 September 2015 is USD5,764,000 (2014: USD1,733,000, 2013: nil, 2012: nil). Provision was assessed by management based on estimated net realizable value of YotaPhone.

13. Trade and other receivables

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Non-current				
Other receivables	–	4,170	4,170	3,632
Provision for non-current other receivables	–	(3,336)	(3,336)	(2,982)
Other assets	20	41	–	–
Non-current trade and other receivables	**20**	**875**	**834**	**650**

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Current				
Trade receivables	–	2,024	11,209	2,977
Prepayments	652	2,511	2,625	1,114
Other taxes refundable	65	226	1,245	684
Provision for trade receivables	–	–	–	(624)
Provision for prepayments	–	–	(1,792)	–
Total trade and other receivables	**717**	**4,761**	**13,287**	**4,151**

As it is mentioned in note 14, the Target Group does not accept the proposed recapitalisation of cash balances into Bank of Cyprus shares. Thus the amount of USD3,632,000 was stated as non-current other receivables (2014: USD4,170,000, 2013: USD4,170,000, 2012: nil). Management carried out an impairment testing as at each year/ period end and considered that certain factors have negative effect on the estimated future cash flows of those accounts receivable and therefore provision for impairment comprising 82% (2014: 80%, 2013: 80%, 2012: nil) of non-current other receivable balances was recognised. These factors included poor financial position of Bank of Cyprus due to economic and political reasons as described in note 1(b).

Ageing of trade receivables based on invoice date and net of provision for trade receivables:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2015
	US$	*US$*	*US$*	*US$*
Within 1-30 days	–	2,024	7,986	432
Within 31-90 days	–	–	–	585
Over 90 days	–	–	3,223	1,336
	–	2,024	11,209	2,353

Ageing of trade receivables based on due date and net of provision for trade receivables:

	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2015
	US$	*US$*	*US$*	*US$*
Not past due	–	1,071	5,270	283
Past due 1-30 days	–	953	2,716	150
Past due 31-90 days	–	–	1	584
More than 90 days	–	–	3,222	1,336
	–	2,024	11,209	2,353

Movement in provision for impairment of non current receivables:

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Balance at the beginning of the year/period	–	–	3,336	3,336
Impairment losses recognised on receivables	–	3,336	–	92
Foreign exchange	–	–	–	(446)
Total trade and other receivables	**–**	**3,336**	**3,336**	**2,982**

Movement in provision for impairment of current receivables:

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Balance at the beginning of the year/period	–	–	–	1,792
Impairment losses recognised on receivables	–	–	1,792	624
Transfer to inventories	–	–	–	(1,792)
Total trade and other receivables	**–**	**–**	**1,792**	**624**

During the year ended 31 December 2014, in line with the provision for the write-downs of the value of the YotaPhone Platinum, the management made a provision to write-down the prepayments made for the production of YotaPhone Platinum.

The Target Group's exposure to credit and currency risk and impairment losses related to trade and other receivables are disclosed in note 22.

14. Other financial assets

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Deposits in Bank of Cyprus – 6 months	–	1,095	–	
Deposits in Bank of Cyprus – 9 months	–	1,095	–	–
Deposits in Bank of Cyprus – 12 months	–	1,095	366	–
Available-for-sale investments stated at cost				
Other	5	–	4	–
Escrow Account	–	–	15,000	15,000
Other financial assets	**5**	**3,285**	**15,370**	**15,000**

The economic environment of Cyprus *(note 1(b))* had a significant impact on the Target Group's cash balances in the Bank of Cyprus. As a result in April 2013 the Target Group's cash balances in the Bank of Cyprus of USD3,632,000 were obligatory recapitalised through deposit-to-equity conversion and the Target Group became a holder of 3,242,157 Bank of Cyprus shares at 1 Euro par representing 0.0004% share in Bank of Cyprus equity. However the Target Group does not accept proposed recapitalisation and applied to the Court to cease this transaction *(refer also to note 13)*.

In addition the amount of cash deposits of USD3,285,000 (three balances of USD1,095,000 each) became restricted for withdrawal since August 2013. The Target Group withdrew money from the cash deposits after 31 December 2014.

Escrow account of USD15,000,000 was opened to secure purchase obligation of the Target Group against the manufacturing partner Hi-P Electronics Pte Ltd and was financed by the Telconet Capital Limited Partnership, the Ultimate Parent Company. This money is managed by the Escrow agent and might be distributed according to Court decision in case of disagreement between parties. As described in note 25(a) in August 2015 Hi-P Electronics PTE commenced arbitration proceedings against Yota Devices Ltd for claims in respect of Yota Devices Ltd alleged breaches of its agreements with Hi-P Electronics PTE for minimum order quantity of smartphones. It is expected that, the dispute may take up to 2 years (by August 2017) to be resolved.

The Target Group's exposure to credit, currency and interest rate risks related to other financial assets is disclosed in note 22.

15. Cash and cash equivalents

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Cash in banks	12,006	243	2.202	1,659
Cash in transit	20	–	–	–
Cash equivalents	7	13	–	–
Total cash and cash equivalents in the statement of financial position	**12,033**	**256**	**2,202**	**1,659**

The Target Group's exposure to interest rate risk and a sensitivity analysis for cash and cash equivalents is disclosed in note 22.

16. Capital and reserves

(a) Share capital

'000 USD	31 December 2012		30 September 2013		31 December 2014		30 September 2015	
	Number of shares	*'000 USD*	*Number of shares*	*'000 USD*	*Number of shares*	*'000 USD*	*Number of shares*	*'000 USD*
Authorised								
Ordinary shares of USD1 each	–	–	–	–	50,000	50	50,000	50
Issued and fully paid								
Balance at the beginning of the year/period	12,000	13	12,000	13	12,000	13	1,000	1
Reorganisation	–	–	–	–	(11,000)	(12)	–	–
Balance at the end of the year/period	**12,000**	**13**	**12,000**	**13**	**1,000**	**1**	**1,000**	**1**

The Target Company was incorporated in the Cayman Islands on 29 October 2014, with an authorised share capital of USD50,000 divided into 50,000 shares of USD1 each. On 29 October 2014 1,000 shares of USD1 were issued at par.

Since the Reorganisation was not completed on 31 December 2013, the share capital in the consolidated statements of financial position as at 31 December 2012 and 2013 represented an aggregate amount of the paid-in capital of the companies comprising the Target Group.

(b) Currency Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

(c) Distributability of reserves

There are no reserves for distribution as at the end of each reporting period.

17. Capital management

The Target Group has no formal policy for capital management but management seeks to maintain a sufficient capital base for meeting the Target Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of Target Group's revenues and profit, and long-term investment plans mainly financed by the Target Group's shareholder and other companies under common control of the shareholder. With these measures the Target Group aims for steady profits growth.

18. Loans and borrowings

(a) This note provides information about the contractual terms of the Target Group's interest-bearing loan and borrowings, which are measured at amortised cost. For more information about the Target Group's exposure to interest rate, foreign currency and liquidity risk, see note 22.

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Current liabilities				
Current loans from previous Shareholder *(note 26)*	17,793	32,533	49,212	53,583
Current loans from 3rd parties	300	7,940	22,517	22,146
Current loan from the Ultimate parent company *(note 26)*	–	–	14,032	17,769
Current interest payable on loans from previous Shareholder *(note 26)*	542	2,256	4,801	6,972
Current interest payable on loans from 3rd parties	10	65	1,005	2,070
Current interest payable on loan from the Ultimate parent company *(note 26)*	–	–	–	33
Total loans and interest payable	**18,645**	**42,794**	**91,567**	**102,573**

(b) *Terms and debt repayment schedule*

Terms and conditions of outstanding loans were as follows:

				31 December 2012		31 December 2013		31 December 2014		30 September 2015	
'000 USD	Currency	Nominal interest rate	Maturity	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount	Face value	Carrying amount
Unsecured loan from previous shareholder	EUR	7%	On demand	16,162	16,659	30,313	32,379	46,329	50,742	50,149	56,551
Unsecured loan from the Ultimate parent company	USD	0%	On demand	–	–	–	–	15,000	14,032	15,000	14,758
Unsecured loan from the Ultimate parent company	USD	7%	On demand	–	–	–	–	–	–	3,011	3,044
Unsecured loan from 3rd parties	USD	6,6%	On demand	300	310	5,299	5,311	16,609	17,327	16,609	18,147
Unsecured loan from 3rd parties	RUR	10%	29.04.2016	–	–	–	–	–	–	60	63
Unsecured loan from 3rd parties	EUR	6,5%	On demand	–	–	1,911	1,952	5,908	6,192	5,476	6,006
Unsecured loan from previous shareholder	USD	7,65%	On demand	1,632	1,676	2,220	2,410	2,883	3,271	3,434	4,004
Unsecured loan from 3rd parties	USD	6,5%	On demand	–	–	730	742	–	3	–	–
Total interest-bearing liabilities				**18,094**	**18,645**	**40,473**	**42,794**	**86,729**	**91,567**	**93,739**	**102,573**

No covenants or additional requirements in those loan agreements were stipulated.

Loan in amount of EUR50,149,000 is convertible into equity at the lenders' discretion. A Deed of amendment dated 4 March 2016 was signed, cancelling the option to convert the loan into equity.

19. Provisions

Warranties

The warranty provision estimated by management in relation to YotaPhones sold in 2015, 2014 and 2013 was based on historical warranty data associated with similar products produced and sold by competitors. The amount estimated by the management is immaterial for the purpose of this Financial Information therefore no provision was recognised.

20. Trade and other payables

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Trade payables	1,634	4,152	33,491	37,277
Other payables for intangible assets	68	1,727	1,239	996
Accrual for unused vacation	78	237	280	307
Other payables	–	106	307	641
Total trade and other payables	**1,780**	**6,222**	**35,317**	**39,221**

Trade payables as at 30 September 2015 include USD25,711,000 (31 December 2014: USD19,921,000, 31 December 2013: nil, 31 December 2012: nil) of outstanding balance for production of YotaPhone Titanium and USD4,757,000 (31 December 2014: USD5,606,000, 31 December 2013: USD314,000, 31 December 2012: nil) for production of Connectivity Devices (modems).

The Target Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 22.

Ageing of trade payables based on invoice date

	Year ended 31 December 2012 *US$*	Year ended 31 December 2013 *US$*	Year ended 31 December 2014 *US$*	9 month period ended 30 September 2015 *US$*
Within 1-30 days	553	2,283	16,689	2,994
Within 31-90 days	258	661	9,921	634
Over 90 days	823	1,208	6,881	33,649
	1,634	4,152	33,491	37,277

21. Current tax liabilities

'000 USD	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Taxes payable	83	250	83	45
Current tax liabilities	**83**	**250**	**83**	**45**

Taxes payable relate to tax liabilities as at the year/period end.

22. Fair values and risk management

(a) Accounting classifications and fair values

The following tables shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value:

		Carrying amount					
'000 USD	*Note*	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Total**
31 December 2012							
Financial assets not measured at fair value							
Cash and cash equivalents	*15*	–	–	12,033	–	–	**12,033**
Non-current other receivables	*13*	–	–	20	–	–	**20**
Current trade and other receivables	*13*	–	–	717	–	–	**717**
		–	**–**	**12,770**	**–**	**–**	**12,770**
Financial liabilities not measured at fair value							
Unsecured loans from 3rd parties	*18*	–	–	–	–	(310)	**(310)**
Unsecured loans from previous Shareholder	*18*	–	–	–	–	(18,335)	**(18,335)**
Trade payables	*20*	–	–	–	–	(1,634)	**(1,634)**
Other payables	*20*	–	–	–	–	(146)	**(146)**
		–	**–**	**–**	**–**	**(20,425)**	**(20,425)**

'000 USD	*Note*	Carrying amount Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total
31 December 2013							
Financial assets not measured at fair value							
Other financial assets	*14*	–	–	3,285	–	–	**3,285**
Cash and cash equivalents	*15*	–	–	256	–	–	**256**
Non-current other receivables	*13*	–	–	875	–	–	**875**
Current trade and other receivables	*13*	–	–	4,761	–	–	**4,761**
		–	**–**	**9,177**	**–**	**–**	**9,177**
Financial liabilities not measured at fair value							
Unsecured loans from 3rd parties	*18*	–	–	–	–	(8,005)	**(8,005)**
Unsecured loans from previous Shareholder	*18*	–	–	–	–	(34,789)	**(34,789)**
Trade payables	*20*	–	–	–	–	(4,152)	**(4,152)**
Other payables	*20*	–	–	–	–	(2,070)	**(2,070)**
		–	**–**	**–**	**–**	**(49,016)**	**(49,016)**

		Carrying amount					
'000 USD	*Note*	**Designated at fair value**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Other financial liabilities**	**Total**
31 December 2014							
Financial assets not measured at fair value							
Other Financial Assets (Escrow account)	*14*	–	–	15,000	–	–	**15,000**
Cash and cash equivalents	*15*	–	–	2,202	–	–	**2,202**
Non-current other receivables	*13*	–	–	834	–	–	**834**
Current trade and other receivables	*13*	–	–	13,287	–	–	**13,287**
Deposits in Bank of Cyprus	*14*	–	–	366	–	–	**366**
		–	**–**	**31,689**	**–**	**–**	**31,689**
Financial liabilities not measured at fair value							
Unsecured loan from the Ultimate parent company	*18*	–	–	–	–	(14,032)	**(14,032)**
Unsecured loans from 3rd parties	*18*	–	–	–	–	(23,522)	**(23,522)**
Unsecured loans from previous Shareholder	*18*	–	–	–	–	(54,013)	**(54,013)**
Trade payables	*20*	–	–	–	–	(33,491)	**(33,491)**
Other payables	*20*	–	–	–	–	(1,826)	**(1,826)**
		–	**–**	**–**	**–**	**(126,884)**	**(126,884)**

’000 USD	Note	Carrying amount Designated at fair value	Held-to-maturity	Loans and receivables	Available-for-sale	Other financial liabilities	Total
30 September 2015							
Financial assets not measured at fair value							
Other Financial Assets (Escrow account)	*14*	–	–	15,000	–	–	**15,000**
Cash and cash equivalents	*15*	–	–	1,659	–	–	**1,659**
Non-current other receivables	*13*	–	–	650	–	–	**650**
Current trade and other receivables	*13*	–	–	4,151	–	–	**4,151**
		–	**–**	**21,460**	**–**	**–**	**21,460**
Financial liabilities not measured at fair value							
Unsecured loan from the Ultimate parent company	*18*	–	–	–	–	(17,802)	**(17,802)**
Unsecured loans from 3rd parties	*18*	–	–	–	–	(24,216)	**(24,216)**
Unsecured loans from previous Shareholder	*18*	–	–	–	–	(60,555)	**(60,555)**
Trade payables	*20*	–	–	–	–	(37,277)	**(37,277)**
Other payables	*20*	–	–	–	–	(1,944)	**(1,944)**
		–	**–**	**–**	**–**	**(141,794)**	**(141,794)**

(b) Measurement of fair values

(i) Financial liabilities

The Target Group does not have any financial liabilities measured at fair value. The valuation technique for financial instruments which are not measured at fair value is represented below:

Type	**Valuation technique**	**Significant unobservable inputs**
Unsecured loans from previous Shareholder, Ultimate parent company and 3rd parties	Discounted cash flows	Not applicable
Trade and other payables	Discounted cash flows	Not applicable

(ii) Financial assets

As at 30 September 2015 the Target Group measured other receivables of USD3,632,000 relating to the proposed recapitalisation of bank balances into Bank of Cyprus shares less accumulated impairment of USD2,982,000 at net value of USD650,000 (2014: USD834,000, 2013: USD834,000 2012: nil, see note 13).

Other financial assets for the nine month period ended 30 September 2015 and the year ended 31 December 2014 relate to Escrow account in amount of USD15,000,000 that was opened to secure purchase obligation of the Target Group against the manufacturing partner (Hi-P Electronics Pte Ltd).

(c) Financial risk management

The group has exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including:

- risk management framework
- credit risk
- liquidity risk
- market risk
  - currency risk
  - interest rate risk

(i) Risk management framework

Management of the Target Group has overall responsibility for the establishment and oversight of the Group's risk management framework.

(ii) Credit risk

Credit risk is the risk of financial loss to the Target Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Target Group's receivables from customers and investments.

The carrying amount of financial assets represents the maximum credit exposure.

Trade and other receivables

The Target Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the factors that may influence the credit risk of the Target Group's customer base, including the default risk of the industry and country, in which customers operate, particularly in the currently deteriorating economic circumstances. Approximately 12% for the 9 month period ended 30 September 2015 of the Group's revenue is attributable to sales transactions with a single customer in amount of USD1,916,000 (year ended 31 December 2014: 42%, 9 month period ended 30 September 2014: 44%, year ended 31 December 2013: 60%, year ended 31 December 2012: 100%).

The Target Group does not require collateral in respect of trade and other receivables.

The Target Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables and prepayments.

The maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was as follows:

'000 USD	Carrying amount 31 December 2012	Carrying amount 31 December 2013	Carrying amount 31 December 2014	Carrying amount 30 September 2015
Cyprus	633	3,720	6,499	2,876
Russia	21	758	3,917	203
Other regions	–	57	1,794	115
	654	**4,535**	**12,210**	**3,194**

The maximum exposure to credit risk for trade and other receivables at the reporting date by type of counterparty was presented as Wholesale customers. The Target Group's most significant debtor owes to the Target Group USD656,000 as at 30 September 2015 (31 December 2014: USD1,961,000, 31 December 2013: USD1,934,000, 31 December 2012: Nil).

Cash and cash equivalents

The Target Group held cash and cash equivalents of USD1,659,000 as at 30 September 2015 (31 December 2014: USD2,202,000, 31 December 2013: USD256,000, 31 December 2012: USD12,033,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held in banks.

Guarantees

At 30 September 2015 the Target Group does not have any outstanding guarantees. The Target Group had no guarantees as at 31 December 2014.

(iii) Liquidity risk

Liquidity risk is the risk that the Target Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Target Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Target Group's reputation.

Exposure to liquidity risk

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include estimated interest payments and exclude the impact of netting agreements.

31 December 2012		**Contractual cash flows**						
'000 USD	**Carrying amount**	**Total**	**On demand**	**Less than 2 mths**	**2-12 mths**	**1-2 yrs**	**2-5 yrs**	**Over 5 yrs**
Non-derivative financial liabilities								
Unsecured loans from previous Shareholder	18,335	18,335	18,335	–	–	–	–	–
Unsecured loans from 3rd parties	310	310	310	–	–	–	–	–
Trade and other payables	1,780	1,780	–	1,170	610	–	–	–
	20,425	**20,425**	**18,645**	**1,170**	**610**	**–**	**–**	**–**

31 December 2013		Contractual cash flows						
'000 USD	Carrying amount	Total	On demand	Less than 2 mths	2-12 mths	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Unsecured loans from previous Shareholder	34,789	34,789	34,789	–	–	–	–	–
Unsecured loans from 3rd parties	8,005	8,005	8,005	–	–	–	–	–
Trade and other payables	6,222	6,222	–	4,495	1,727	–	–	–
	49,016	**49,016**	**42,794**	**4,495**	**1,727**	**–**	**–**	**–**

31 December 2014		Contractual cash flows						
'000 USD	Carrying amount	Total	On demand	Less than 2 mths	2-12 mths	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Unsecured loan from Ultimate parent company	14,032	15,000	15,000	–	–	–	–	–
Unsecured loans from previous Shareholder	54,013	54,013	54,013	–	–	–	–	–
Unsecured loans from 3rd parties	23,522	23,522	23,522	–	–	–	–	–
Trade and other payables	35,317	35,317	–	34,078	1,239	–	–	–
	126,884	**127,852**	**92,535**	**34,078**	**1,239**	**–**	**–**	**–**

30 September 2015		Contractual cash flows						
'000 USD	Carrying amount	Total	On demand	Less than 2 mths	2-12 mths	1-2 yrs	2-5 yrs	Over 5 yrs
Non-derivative financial liabilities								
Unsecured loan from Ultimate parent company	17,802	18,044	18,044	–	–	–	–	–
Unsecured loans from previous Shareholder	60,555	60,555	60,555	–	–	–	–	–
Unsecured loans from 3rd parties	24,216	24,216	24,216	–	–	–	–	–
Trade and other payables	39,221	39,221	–	38,225	996	–	–	–
	141,794	**142,036**	**102,815**	**38,225**	**996**	**–**	**–**	**–**

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Target Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

(v) Currency risk

The Target Group is exposed to currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the Target Group entities. The functional currencies of Group companies are primarily U.S. Dollars (USD), the Russian Ruble (RUB), and Euro (EUR). The currencies in which Group transactions are primarily denominated are USD, RUB, EUR and Singapore Dollar (SGD).

Borrowings are denominated primarily in EUR and USD. In addition, interest on borrowings is denominated in the currency of the borrowing.

Exposure to currency risk

The Target Group's exposure to foreign currency risk was as follows:

'000 USD	**31 December 2012**	**31 December 2013**	**31 December 2014**	**30 September 2015**
Unsecured loans (including interest payable) nominated in EUR	(16,659)	(32,379)	(50,742)	(56,551)
Unsecured loans (including interest payable) nominated in USD	(310)	(5,311)	(17,330)	(18,210)
Net exposure	**(16,969)**	**(37,690)**	**(68,072)**	**(74,761)**

The following significant exchange rates have been applied during the year:

	Average rate					Reporting date spot rate			
	Year end 31 December 2012	Year end 31 December 2013	Year end 31 December 2014	9 month ended 2014 (unaudited)	9 month ended 2015	31 December 2012	31 December 2013	31 December 2014	30 September 2015
USD/EUR	0.79	0.75	0.76	0.74	0.89	0.76	0.73	0.83	0.88
USD/RUB	30.09	31.85	38.42	35.38	59.27	30.27	32.73	56.26	66.24
USD/SGD	1.25	1.25	1.27	1.26	1.38	1.22	1.27	1.33	1.42

Sensitivity analysis

A reasonably possible strengthening (weakening) by 10% of the EUR and RUB vs other currencies, as indicated below, against all other currencies at 30 September 2015, 31 December 2014, 31 December 2013 and 31 December 2012 would have affected the measurement of financial instruments denominated in a foreign currency and affected equity and profit or loss before taxes by the amounts shown below. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases.

’000 USD	**Strengthening**		**Weakening**	
	Equity	**Profit or loss**	**Equity**	**Profit or loss**
31 December 2012				
EUR (10% movement)	(1,666)	(1,666)	1,666	1,666
USD (10% movement)	(31)	(31)	31	31
31 December 2013				
EUR (10% movement)	(3,238)	(3,238)	3,238	3,238
USD (10% movement)	(531)	(531)	531	531
31 December 2014				
EUR (10% movement)	(5,074)	(5,074)	5,074	5,074
USD (10% movement)	(1,733)	(1,733)	1,733	1,733
30 September 2015				
EUR (10% movement)	(5,655)	(5,655)	5,655	5,655
USD (10% movement)	(1,821)	(1,821)	1,821	1,821

(vi) Interest rate risk

All the Target Group's loans and borrowings outstanding as of 30 September 2015, 31 December 2014, 31 December 2013 and 31 December 2012 are fixed rate based. Since all the Target Group's borrowings are fixed rate management believes that this risk of changes to future cash outflows is not significant. The Target Group plans to continue borrowing at fixed rates in the future. For any future borrowing at variable interest rates the Target Group's management will monitor the interest rate fluctuations on a continuous basis and will act accordingly.

23. Operating leases

The Target Group leases a number of office premises under operating leases. The leases typically run for a period of 11 months with an option to renew the lease after that date. The ownership for office premises does not pass to the Target Group. As the rent paid is increased to market rent at regular intervals and the Target Group does not participate in the residual value, the Target Group determined that the leases are operating leases.

24. Commitments

The Target Group has no significant commitments as at 30 September 2015 (as at 31 December 2014: USD31,948,000). The Target Group had no significant commitments as at 31 December 2013 and 31 December 2012. The commitments as at 31 December 2014 relate to YotaPhone Titanium (USD23,600,000) and connectivity devices (USD8,348,000).

25. Contingencies

(a) Litigation

In August 2015 the producer of smartphones Hi-P Electronics PTE commenced arbitration proceedings against Yota Devices Ltd ("Yota Cyprus") for claims of a total sum of approximately USD126,000,000 comprising substantially of finished goods in the possession of Hi-P Electronics PTE. The claim is in respect of Yota Cyprus's alleged breaches of its agreements with Hi-P Electronics PTE for minimum order quantity of smartphones. Hi-P's claim is against Yota Devices Ltd only.

A major international law firm was engaged by Yota Devices Ltd to advice in connection with the claim. In September 2015, Yota Devices Ltd submitted its Response to the Notice indicating, *inter alia*, that it had no contractual obligation to accept delivery of defective products or to place further purchase orders because Hi-P failed to satisfy the quality and timely delivery requirements under the parties' contract. Yota Cyprus intends vigorously to defend itself in the pending arbitration. It is expected that, if the dispute is not settled, it could take up to 2 years by August 2017 for the Singapore International Arbitration Centre to reach a decision in this case. As described in note 14 there is a deposit on Escrow Account in amount of USD15,000,000 opened to secure purchase obligation to order a minimum quantity of smartphones.

Saved as disclosed above, the Target Group had no other material litigations and claims as at 30 September 2015, 31 December 2014, 31 December 2013 and 31 December 2012.

(b) Taxation contingencies

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities.

Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year generally remains open for review by the tax authorities during the three subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within the Russian Federation suggest that the tax authorities are taking a more assertive and substance-based position in their interpretation and enforcement of tax legislation. Transfer pricing legislation enacted in the Russian Federation starting from 1 January 2012 provides for major modifications making local transfer pricing rules closer to OECD guidelines, but creating additional uncertainty in practical application of tax legislation in certain circumstances.

These transfer pricing rules introduce an obligation for the taxpayers to prepare transfer pricing documentation with respect to controlled transactions and prescribe new basis and mechanisms for accruing additional taxes and interest in case prices in the controlled transactions differ from the market level.

The transfer pricing rules primarily apply to cross-border transactions between related parties, as well as to certain cross-border transactions between independent parties, as determined under the Russian Tax Code. In addition, the rules apply to in-country transactions between related parties if the accumulated annual volume of the transactions between the same parties exceeds a particular threshold (RUB3 billion in 2012, RUB2 billion in 2013, and RUB1 billion in 2014 and thereon).

Since there is no practice of applying the new transfer pricing rules by the tax authorities and courts as transfer pricing tax audits under new rules started recently, however, it is anticipated that transfer pricing arrangements will be subject to very close scrutiny potentially having effect on this Financial Information.

These circumstances may create tax risks in the Russian Federation that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts, especially due to recent reform of the supreme courts that are resolving tax disputes, could differ and the effect on these Financial Information, if the authorities were successful in enforcing their interpretations, could be significant.

In addition, a number of new laws introducing changes to the Russian tax legislation have been adopted in the fourth quarter 2014 and are effective 1 January 2015. In particular, those changes are aimed at regulating transactions with offshore companies and their activities which may potentially impact the Target Group's tax position and create additional tax risks going forward.

26. Related parties

(a) Parent and ultimate controlling party

As at 30 September 2015, the Target Group's ultimate parent is Telconet Capital Limited Partnership registered in Cayman Islands, and the ultimate controlling party is Mr Albert Avdolyan.

(b) Transactions with key management personnel

Executive Director Vladislav Martinov

'000 USD	Salaries, allowances and benefits in kind	Discretionary bonuses	Total
Year ended 31 December 2012	445	270	715
Year ended 31 December 2013	744	227	971
Year ended 31 December 2014	644	279	923
Nine month period ended 30 September 2014 (unaudited)	466	–	466
Nine month period ended 30 September 2015	424	–	424

On 13 September 2015, Vladislav Martinov resigned from directorship position of the Target Company, remaining executive of the Target Group.

The following were directors of the Target Company that did not receive any remuneration during the Relevant Periods.

Name of Director	Date of appointment	Date of resignation
David John Jepson Egglishaw	29 October 2014	4 September 2015
Cary Thomas Marr	29 October 2014	4 September 2015
Christina Cornelia van den Berg	4 September 2015	N/A
Monica Pamela van Zyl	4 September 2015	N/A
Ekaterina Lapshina	13 September 2015	N/A

Of the five individuals with the highest emoluments, one (year ended 31 December 2014: one, year ended 31 December 2013: one, year ended 31 December 2012: one), is director whose emoluments are disclosed above. The aggregate emoluments of the other key management personnel that are not directors are disclosed below:

Other key management personnel

'000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Salaries, allowances and benefits in kind	355	529	612	501	617
Discretionary bonuses	–	114	33	–	10
	355	643	645	501	627

The emoluments of the key management personnel other than the directors with the highest emoluments are within the following bands:

'000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month period ended 30 September 2014 (unaudited)	9 month period ended 30 September 2015
Nil – 129	4	2	2	3	1
129 – 194	–	1	1	–	2
194 – 258	–	–	–	1	1
258 – 322	–	1	1	–	–

(c) Other related party transactions

'000 USD	Year ended 31 December 2012	Year ended 31 December 2013	Year ended 31 December 2014	9 month ended 30 September 2014 (unaudited)	9 month ended 30 September 2015
Purchase of goods and services:					
Other related companies:	**692**	**840**	**–**	**–**	**270**
Samone International Corp.	350	840	–	–	–
Rawllin International Inc.	–	–	–	–	270
Yota Lab LLC	342	–	–	–	–
Loans received from:					
Ultimate parent company	**–**	**–**	**15,000**	**15,000**	**3,011**
Telconet Capital Limited Partnership	–	–	15,000	15,000	3,011
Previous Shareholder	**17,159**	**13,546**	**16,679**	**15,339**	**4,371**
Wooden Fish Agency Ltd	17,159	13,546	16,679	15,339	4,371
(Interest charged)/income from discounting:					
Ultimate parent company	**–**	**–**	**(968)**	**(968)**	**759**
Telconet Capital Limited Partnership	–	–	(968)	(968)	759
Previous Shareholder	**536**	**1,610**	**3,049**	**2,161**	**2,789**
Wooden Fish Agency Ltd	536	1,610	3,019	2,161	2,789

'000 USD	Outstanding balance as at			
	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Purchase of goods and services:				
Other related companies:	**946**	**1,460**	**1,460**	**1,190**
Samone International Corp.	350	1,190	1,190	1,190
Rawllin International Inc.	270	270	270	–
Yota Lab LLC	326	–	–	–

'000 USD	Outstanding balance as at			
	31 December 2012	31 December 2013	31 December 2014	30 September 2015
Loans received from:				
Ultimate parent company	**–**	**–**	**14,032**	**17,769**
Telconet Capital Limited Partnership	–	–	14,032	17,769
Previous Shareholder	**17,793**	**32,533**	**49,212**	**53,583**
Wooden Fish Agency Ltd	17,793	32,533	49,212	53,583
Interest expenses:				
Ultimate parent company	**–**	**–**	**–**	**33**
Telconet Capital Limited Partnership	–	–	–	33
Previous Shareholder	**542**	**2,256**	**4,801**	**6,972**
Wooden Fish Agency Ltd	542	2,256	4,801	6,972

All outstanding balances with related parties are to be settled in cash in accordance with the schedules disclosed in note 18. None of the balances is secured.

Loans from related parties are interest-bearing in accordance with note 18 and are repayable on demand. The loans are provided at market rates of interest.

27. Target company level statement of financial position

'000 USD	31 December 2014	30 September 2015
Assets		
Investment in subsidiaries	20	20
Non-current assets	**20**	**20**
Total assets	**20**	**20**
Equity		
Share capital	1	1
Accumulated losses	–	(3)
Total equity	**1**	**(2)**

'000 USD	31 December 2014	30 September 2015
Liabilities		
Other payables	19	22
Current liabilities	**19**	**22**
Total liabilities	**19**	**22**
Total equity and liabilities	**20**	**20**

Yota was established as a limited Company by shares according to Cayman Islands legislation on 29 October 2014.

28. Subsidiary companies

(a) The statutory financial statements of the companies comprising the Target Group that were subject to audit during the Relevant Periods and the name of the respective auditors are set out below:

Name of company	Financial period	Statutory auditor
Yota Devices LLC	For the period from 29 May 2012 (date of incorporation) to 31 December 2012 and for the year ended 31 December 2013	LLC "KNK Consulting"
	Year ended 31 December 2014	CJSC "Delovoy Profil"
Yota Devices Oy	For the period from 27 December 2012 (date of incorporation) to 31 December 2013 and for the year ended 31 December 2014	KPMG Oy Ab

(b) No audited statutory financial statements have been prepared for the following companies comprising the Target Group:

Name of company	Date of registration	Place of incorporation establishment
Yota Devices Ltd[1]	7 June 2011	Cyprus
Yota Devices IPR Ltd[2]	17 August 2011	British Virgin Islands
Yota Devices PTE Ltd[1]	19 February 2012	Singapore
Yota Devices Deutschland GmbH[2]	23 April 2014	Germany
江蘇優它通信科技有限公司[1] Jiangsu Youta Telecommunication LLC[4]	23 April 2014	The PRC
Yota Devices Hong Kong Ltd[3]	5 November 2014	Hong Kong
Yota Canada Ltd[2]	20 November 2014	Canada

Name of company	Date of registration	Place of incorporation establishment
優特進出口(深圳)有限公司[3] Yota Import & Export (Shenzhen) Co. Ltd[4]	20 July 2015	The PRC
深圳優達進出口有限公司[3] Shenzhen Youda Import & Export Co. Ltd[4]	13 August 2015	The PRC
深圳優他進出口有限公司[3] Shenzhen Youta Import & Export Co. Ltd[4]	14 September 2015	The PRC

1 *The statutory financial statements of these companies were not available as of the date of this report.*

2 *No statutory financial statements have been prepared for these companies as they are not subject to statutory audit requirements under the relevant rules and regulations in the jurisdiction of incorporation.*

3 *No statutory financial statements have been prepared for these companies as they have not carried on any business since the date of incorporation.*

4 *English translation of the company names is for reference only. The official names of these companies are in Chinese.*

29. Going concern basis

The Target Group incurred a loss of USD30,724,000 for the nine month period ended 30 September 2015 (year ended 31 December 2014: USD46,148,000, year ended 31 December 2013: USD19,998,000, year ended 31 December 2012: USD4,226,000) and, as at that date its current liabilities exceeded its current assets by USD112,013,000 (31 December 2014: USD86,322,000, 31 December 2013: USD39,601,000, 31 December 2012: USD7,746,000). 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 as well as its ability to realise its assets and discharge its liabilities in the ordinary course of business.

The Board of Directors anticipates that the repayment of the loan facilities will not be required or in case that financing will be required, the respective financing resources that will be provided by Shareholders will be sufficient to meet the future repayment requirements or to cover other financing needs.

The current shareholders of the Target Company demonstrated their intention to provide financial support when needed. The Ultimate Parent Company and the previous shareholder provided loans to the Target group totalling USD78,357,000, as at 30 September 2015 (31 December 2014: USD68,045,000, 31 December 2013: USD34,789,000, 31 December 2012: USD18,335,000). On 3 July 2015, the shareholding company through a new loan facility, made available to the Target Group USD7,000,000 (extended to USD15,000,000 on 31 December 2015) for financing its working capital needs. The Target Group utilised USD3,011,000 out of the USD7,000,000 by 30 September 2015.

The Board of Directors are of the opinion that, based on a detailed review of the working capital forecast of the Target Group for the years ending 31 December 2018, the Target Group will have the necessary liquid funds to finance its working capital and capital expenditure requirements.

This Financial Information have been prepared on a going concern basis as the Board of Directors believe that the Target Group will be in the position to meet its obligations so as to continue its activities in the foreseeable future. As a result, the Financial Information do not include any adjustments that would be necessary should the Group be unable to continue as a going concern.

30. Subsequent events

The share Purchase Agreement with Rex Global Entertainment Holdings Limited

On 8 October 2015, Telconet Capital Limited Partnership (Telconet) entered into the share sale and purchase agreement with Rex Global Entertainment Holdings Limited (Rex) for the sale of 64.9% of shares in the issued share capital of the Company (the SPA).

On 23 December 2015, Telconet and Rex entered into the Deed of Amendment to the SPA and agreed that Rex shall acquire 30% of shares in the Company (instead of 64.9%) for USD46,225,000 in cash, subject to adjustments as a result of any liability arising under any representation, warranty or undertaking given by Telconet under the SPA.

Creation of new subsidiaries

On 5 October 2015 Target Company set up a new company, Yota Asia Limited (Hong Kong) to explore potential cooperation with counterparties in Asia.

Negotiations with Hi-P

Yota Devices Ltd and Hi-P Electronics PTE are in the final stage of negotiating the settlement agreement. If the parties reach a consensus, management expects that the settlement agreement will result in full settlement of all actions, proceedings, claims, rights, demands and set-offs in this matter.

Cancellation of unsecured convertible loan from previous shareholder

A Deed of amendment dated 4 March 2016 was signed, cancelling the option to convert the unsecured loan into equity.

Amendment to loan facility

On 31 December 2015, Telconet Capital Limited Partnership and Yota Devices Ltd signed an amendment agreement to the loan facility dated 3 July 2015, increasing the amount from USD7,000,000 to USD15,000,000.

C. SUBSEQUENT FINANCIAL STATEMENTS AND DIVIDENDS

No audited financial statements have been prepared by the Target Group in respect of any period subsequent to 30 September 2015. No dividend or distribution has been declared or made by any companies comprising the Target Group in respect of any period subsequent to 30 September 2015.

Yours faithfully,

KPMG Limited
Certified Public Accountants
14 Esperidon Street
1087 Nicosia
Cyprus

The following is the text of a report dated 31 March 2016 in respect of the pro forma financial information of the Group, prepared for the purpose of incorporation in this circular, received from the reporting accountants, Ting Ho Kwan & Chan CPA Limited.

TING HO KWAN & CHAN CPA LTD
9/F., Tung Ning Building, 249-253 Des Voeux Road C, Hong Kong

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is an illustrative and unaudited pro forma statement of financial position of REX Global Entertainment Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") upon completion of the acquisition of 30% equity interest in Yota (the "Target Company") and its subsidiaries (the "Target Group") (the "Acquisition") (together with the Group hereinafter collectively referred to as the "Enlarged Group") (the "Unaudited Pro Forma Financial Information") which has been prepared by the directors of the Company on the basis as set out in the notes below and in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") for the purpose of illustrating the effects of the Acquisition on the financial information of the Group, assuming the Acquisition had been completed as at 30 September 2015.

The Unaudited Pro Forma Financial Information has been prepared based on the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2015 as extracted from the published interim report of the Group for the six months ended 30 September 2015.

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 September 2015 or at any future date.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group as set out in Appendix I to this circular, the financial information of the Target Group as set out in Appendix II to this circular and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP AS AT 30 SEPTEMBER 2015

	The Group	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	Pro forma adjustment	The Enlarged Group
	(Unaudited)					
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	18,868	–	–	–	–	18,868
Land use rights	10,367	–	–	–	–	10,367
Goodwill	23,592	–	–	–	–	23,592
Interests in associates	–	358,244	23,591	–	–	381,835
Available-for-sale financial asset	9,300	–	–	–	–	9,300
	62,127	358,244	23,591	–	–	443,962
Current assets						
Inventories	2,057	–	–	–	–	2,057
Trade and other receivables	137,489	–	–	209,250	–	346,739
Financial assets at fair value through profit or loss	150,325	–	–	–	–	150,325
Cash and cash equivalents	40,161	(358,244)	(23,591)	(209,250)	–	(550,924)
	330,032	(358,244)	(23,591)	–	–	(51,803)
Current liabilities						
Trade and other payables	36,592	–	–	–	15,000	51,592
Bank and other borrowings	59,582	–	–	–	–	59,582
	96,174	–	–	–	15,000	111,174
Net current assets/(liabilities)	233,858	(358,244)	(23,591)	–	(15,000)	(162,977)
Total assets less current liabilities	295,985	–	–	–	(15,000)	280,985
Non-current liabilities						
Amount due to a non-controlling shareholder of a subsidiary	22,246	–	–	–	–	22,246
Bank and other borrowings	28,381	–	–	–	–	28,381
Deferred taxation	1,313	–	–	–	–	1,313
	51,940	–	–	–	–	51,940
Net assets	244,045	–	–	–	(15,000)	229,045
Equity						
Capital and reserves attributable to the equity shareholders of the Company:						
Share capital	75,572	–	–	–	–	75,572
Reserves	163,939	–	–	–	(15,000)	148,939
	239,511	–	–	–	(15,000)	224,511
Non-controlling interests	4,534	–	–	–	–	4,534
Total equity	244,045	–	–	–	(15,000)	229,045

Notes to the unaudited pro forma financial information of the Enlarged Group

1. The figures are extracted from the unaudited condensed consolidated statement of financial position of the Group as at 30 September 2015 as published in the interim report of the Company for the six months ended 30 September 2015.

2. According to the Original Sale and Purchase Agreement dated 8 October 2015, the Deed of Amendment dated 23 December 2015 and the Second Deed of Amendment dated 29 March 2016 (the "Agreement"), the Group proposed to acquire 30% equity interest in the Target Company and will have significant influence over the Target Group upon completion of the Acquisition. The Acquisition is accounted for as an acquisition of an associate in accordance with Hong Kong Accounting Standard ("HKAS") 28, Investments in Associates and Joint Ventures.

   The adjustment represents the cash consideration of USD46,225,000 (equivalent to approximately HK$358,244,000) paid to the Seller (as defined in this circular) for the Acquisition as follows:

	USD'000	*HK$'000*
Amount due from an associate *(note a)*	15,000	116,250
Goodwill *(note b)*	31,225	241,994
	46,225	358,244

   (a) According to the Agreement, the Seller shall assign the Hi-P Escrow Amount (as defined in this circular) of USD15,000,000 (equivalent to approximately HK$116,250,000) owed by Yota (Cyprus) (as defined in this circular) to the Seller to the Company at SPA Completion (as defined in this circular). Upon SPA Completion, the Hi-P Escrow Amount will be recognised as an amount due from an associate and be included in the carrying amount of the Group's interests in associates.

   (b) The Target Group had adjusted net liabilities of USD65,479,000 (equivalent to approximately HK$507,462,000) as at 30 September 2015 *(note c)*. In accordance with HKAS 28, the Group's share of net liabilities of the Target Group as at 30 September 2015 is limited to zero, therefore, the difference of USD31,225,000 (equivalent to approximately HK$241,994,000) between the cash consideration paid for the Acquisition and the Hi-P Escrow Amount as at 30 September 2015 will be accounted for as goodwill and be included in the carrying amount of the Group's interests in associates.

(c) The adjusted net liabilities of the Target Group as at 30 September 2015 is calculated as follows:

	USD'000	*HK$'000*
Audited net liabilities of the Target Group as at 30 September 2015	97,602	756,415
Less: Discharge of debts due to Seller	32,123	248,953
Adjusted net liabilities of the Target Group as at 30 September 2015	65,479	507,462

In accordance with the Agreement, all debts owed by the Target Group to the Seller, other than the Senior Seller Debt (as defined in this circular), will be discharged by the Seller by way of contribution by the Seller without issuance of any new shares. As at 30 September 2015, the carrying amount of all these debts owed by the Target Group to the Seller other than the Senior Seller Debt amounted to USD32,123,000, is calculated as follows:

	Notes	**Currency**	**Nominal interest rate**	*USD'000*
Unsecured loan from previous shareholder	*(i)*	EUR	7%	56,551
Unsecured loan from previous shareholder	*(i)*	USD	7.65%	4,004
Unsecured loan from 3rd parties	*(i)*	USD	6.6%	18,147
Unsecured loan from 3rd parties	*(i)*	EUR	6.5%	6,006
Amount due to Samone International Corp.	*(ii)*	USD	N/A	1,190
				85,898
Less: Senior Seller Debt				53,775
				32,123

Notes:

(i) Refer to note 18(b) to the financial information of the Target Group contained in Appendix II to this circular

(ii) Refer to note 26(c) to the financial information of the Target Group contained in Appendix II to this circular

(d) According to the Group's accounting policy, the goodwill which arose from the acquisition of an associate, is included as part of the Group's interests in associates. Upon completion of the Acquisition, the fair value of the Target Group will have to be reassessed. The final identifiable net assets or liabilities of the Target Group at the date of SPA Completion and the goodwill to be recognised in connection with the Acquisition may be different from the estimated amount stated herein.

In the preparation of the Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the investment in the Target Group in accordance with HKAS 39 "Financial Instruments: Recognition and Measurement" and the Group's accounting policies, and it is concluded that no impairment on the investment in the Target Group is necessary. The Directors will adopt consistent accounting policies to assess the impairment of carrying amount of interest in the Target Group in subsequent reporting periods in accordance with the requirements of HKAS 39, as appropriate.

3. Pursuant to the Bridge Loan Assignment Agreement (as defined in this circular) to be entered into between the Company, the Seller and Yota (Cyprus), the Seller will assign to the Company all rights to claim the repayment of all the debts owed by Yota (Cyprus) to the Seller under the Bridge Loan Agreement (as defined in this circular) for a consideration equal to the outstanding amount under the Bridge Loan Agreement of up to USD15,000,000 at SPA Completion.

   The adjustment represents the assignment of the loan receivable of USD3,044,000 (equivalent to approximately HK$23,591,000) as at 30 September 2015 from the Seller to the Company. This amount represents the unsecured loan due from the Target Group to the Seller as at 30 September 2015, as disclosed in note 18(b) to the financial information of the Target Group contained in Appendix II to this circular.

4. Pursuant to the terms of the Agreement, the Company shall deposit USD27,000,000 (equivalent to approximately HK$209,250,000) before SPA Completion to the Escrow Account (as defined in this circular) for the repayment of a portion of the Senior Seller Debt. The Company and the Seller shall procure the Escrow Agent (as defined in this circular) to release USD27,000,000 plus any interest accrued under the Escrow Agreement (as defined in this circular) as follows:

   (a) (i) USD24,300,000 to the Seller and (ii) USD2,700,000 to the Escrow Agent to be held as the additional Retention Amount (as defined in this circular), on the date falling not later than 3 months plus 3 SPA Business Days (as defined in this circular) from SPA Completion, if on the date falling 3 months from SPA Completion the Seller continues to hold shares of the Target Company (and the amount released shall be deemed to be partial repayment of the Senior Seller Debt); or

   (b) to the Company, on the date falling not later than 3 months plus 3 SPA Business Days from SPA Completion if on the date falling 3 months from SPA Completion the Seller no longer holds shares of the Target Company.

5. The adjustment represents estimated acquisition-related costs of approximately HK$15,000,000 which would be expensed in profit or loss upon completion of the Acquisition. This adjustment does not have continuing effect on the Enlarged Group.

6. Despite that the Group had a pro forma deficit in cash and net current liabilities position of HK$550,924,000 and HK$162,977,000 respectively, as at 30 September 2015, upon completion of the Acquisition, the Directors considered that the Company will have sufficient fund to complete the Acquisition as the Company has entered into a placing agreement with Innovax Capital Limited on 14 January 2016 (amended on 29 March 2016) and a placing agreement with Haitong International Securities Company Limited on 29 March 2016 in relation to the placing of up to 25,000,000,000 new shares of the Company (the "Placing"). The net proceeds from the Placing will be approximately HK$785,600,000 and the Company will use part of the net proceeds to satisfy the cash consideration. The Placing has not been accounted for in this Unaudited Pro Forma Financial Information of the Group. The Directors are of the view that the Group shall not be in a net current liabilities position after completion of the Acquisition if the Placing is taken into account.

7. The Directors assume that the exchange rate of USD to HK$ used in this Unaudited Pro Forma Financial Information was USD1.00 to HK$7.75. No representation is made that USD amounts have been, could have been or could be converted into HK$, or vice versa, at that rate or at any other rates or at all.

The Board of Directors
REX Global Entertainment Holdings Limited
Suites 3401-3413, 34/F,
Two Pacific Place,
88 Queensway, Hong Kong

Dear Sirs,

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

We have completed our assurance engagement to report on the compilation of pro forma financial information of REX Global Entertainment Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of financial position as at 30 September 2015 and related notes (the "Unaudited Pro Forma Financial Information") as set out in Appendix III of the circular issued by the Company dated 31 March 2016 (the "Circular") with respect to the proposed acquisition of 30% equity interest in Yota and its subsidiaries (the "Acquisition"). The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages 112 to 118 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the Acquisition on the Group's financial position as at 30 September 2015 as if the Acquisition had taken place at 30 September 2015. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's unaudited condensed consolidated interim financial statements for the six months ended 30 September 2015, on which no audit nor review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

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.

The firm applies Hong Kong Standard on Quality Control 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements, 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 Accountant's Responsibilities

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

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the HKICPA. This standard requires that the reporting accountant plan and perform procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

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

The purpose of Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at 30 September 2015 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

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

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

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

Opinion

In our opinion:

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

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

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

Yours faithfully,

TING HO KWAN & CHAN CPA LIMITED
Certified Public Accountants
WONG KAM CHUEN
Practising Certificate Number P06175
Hong Kong

31 March 2016

MANAGEMENT DISCUSSION AND ANALYSIS OF THE TARGET GROUP

Set out below is the management discussion and analysis on the Target Group for each of three years ended 31 December 2014 and the nine months ended 30 September 2015 (the "Relevant Period") prepared in accordance with International Financial Reporting Standards.

The following discussion and analysis should be read in conjunction with the accountants' report on the Target Group set out in Appendix II to this circular.

Business and financial review

The Target Group commenced its operations in 2011 and is principally engaged in development and sales of high-tech electronics such as smartphones and modems. Its main products are smartphones under the brand "YOTAPHONE" and other connectivity devices such as modems. The Target Group has developed the world's first dual-screen, always-on smartphone, "YotaPhone 1", which went on sales in December 2013 in selected markets in European countries, Russia and Middle East. In December 2014, the Target Group commenced sales of its second generation smartphone, "YotaPhone 2", in some European countries, Russia, Hong Kong and Middle East.

The Target Group mainly distributes its products through third-party resellers in Russia, and its manufacturing is performed by an outsourcing company located in Asia and other companies from the rest of the world. Headquartered in Russia, the Target Group has offices and operations in Europe, Asia and the Middle East. The Target Group employs leading developers from the information technology industry and its research and development team comprises Nokia veterans.

The loss of the Target Group for the three years ended 31 December 2014 and the nine months ended 30 September 2015 was approximately USD4,226,000, USD19,998,000, USD46,148,000 and USD30,724,000, respectively. The increase in loss during the Relevant Period was mainly due to the increase in amortisation expenses, marketing expenses, salaries and social contributions and research and development expenses to cope with the increase in revenue and the need to develop new generations of smartphones.

For the year ended 31 December 2013

Revenue

The Target Group's revenue was derived from sales of YotaPhone, connectivity devices (such as modems and routers) and licences required for router and modem usage.

For the year ended 31 December 2013, the Target Group recorded revenue of approximately USD5,710,000, as compared to approximately USD2,189,000 for the previous year. Such increase in revenue was mainly attributable to (i) the increase in licence income of approximately

USD1,256,000 generated from sales of connectivity devices through ODMs; and (ii) the commencement of sales of the first generation of YotaPhone ("**YotaPhone 1**") in December 2013. For the year ended 31 December 2013, the Target Group began to sell connectivity devices directly to its distributors. Prior to that, the distributors purchased connectivity devices directly from ODMs which would in turn pay licence fees to the Target Group for each connectivity devices being sold. For the year ended 31 December 2013, the number of units of YotaPhone 1 sold and the number of units of connectivity devices sold (whether directly to distributors or through ODMs) were approximately 5,100 and 448,000, respectively, as compared to approximately 245,000 units of connectivity devices sold through ODMs for the previous year.

Cost of goods sold and gross profit margin

For the year ended 31 December 2013, cost of goods sold, primarily comprising cost of finished goods and assembling components, was approximately USD2,564,000, as compared to approximately USD9,000 in the previous year, mainly attributable to the commencement of sales of YotaPhone 1 in December 2013. For the year ended 31 December 2012, the Target Group generated its revenue from the licence fees received from ODMs with minimal cost of goods sold. For the year ended 31 December 2013, with the commencement of sales of YotaPhone 1 and sales of connectivity devices directly to its distributors, the Target Group had a gross profit margin of approximately 55.1%.

Operating expenses

Operating expenses mainly consisted of amortisation, marketing expenses, salaries and social contributions, travel expenses and research and development expenses.

The operating expenses of the Target Group increased from approximately USD5,335,000 for the year ended 31 December 2012 to approximately USD17,223,000 for the year ended 31 December 2013, mainly attributable to the increase in marketing expenses, salaries and social contributions and impairment of intangible assets. More marketing expenses and staff cost were incurred by the Target Group to prepare for the sales of YotaPhone 1 starting from December 2013 and to support the growth of the business. During the year, as a result of adverse variance in actual operating results as compared to the budgeted target, an impairment loss of approximately USD2,570,000 was recognised in connection with the manufacture of a new product in the smartphone and connectivity device cash-generating unit of the Target Group. Such impairment loss was mainly related to that in industrial design which represented the costs incurred by the Target Group for the development of YotaPhone 1 including labour costs, material costs, services costs and other costs eligible for capitalisation in accordance with the Target Group's accounting policy.

Finance costs

Finance costs mainly represented interest expenses on loans from the previous shareholder of the Target Group and third parties and net foreign exchange loss.

For the year ended 31 December 2013, finance costs were approximately USD2,621,000, as compared to approximately USD1,137,000 in the previous year. The increase in net finance cost in 2013 were mainly due to (i) the increase in interest expense on loans from the previous shareholder of the Target Group (i.e. Wooden Fish Agency Ltd) resulting from increased borrowings; and (ii) the increase in net foreign exchange loss.

Impairment of non-current trade and other receivables

The impairment of non-current other receivables for the year ended 31 December 2013 represented the impairment of the Target Group's cash balances of USD4,170,000 in the Bank of Cyprus during the year. Given the poor financial position of the Bank of Cyprus due to economic and political reasons, an impairment loss comprising 80% of such cash balances (i.e. USD3,336,000) was recognised in 2013.

Income tax

Income tax expense of the Target Group consisted of income tax and deferred tax. For the year ended 31 December 2013, the Target Group's applicable tax rates were 20% for Russia, 12.5% for Cyprus, 0% for BVI, 24.5% for Finland and 17% for Singapore.

Loss for the year

As a result of the aforesaid, the Target Group recorded a loss of approximately USD19,998,000 for the year ended 31 December 2013, as compared to a loss of approximately USD4,226,000 for the previous year.

For the year ended 31 December 2014

Revenue

The revenue of the Target Group increased from approximately USD5,710,000 for the year ended 31 December 2013 to approximately USD29,697,000 for the year ended 31 December 2014, mainly attributable to (i) the full-year sales of YotaPhone 1 recognised in 2014 since its commencement in December 2013; (ii) the commencement of sales of the second generation of YotaPhone ("**YotaPhone 2**") in December 2014 in some European countries, Russia, Hong Kong and Middle East; and (iii) the increase in sales of connectivity devices. For the year ended 31 December 2014, the number of units of YotaPhone sold and the number of units of connectivity devices sold directly to distributors were approximately 33,300 (comprising approximately 14,400 units of YotaPhone 1 and 18,900 units of YotaPhone 2) and approximately 334,000 units, respectively, as compared to approximately 5,100 units of YotaPhone 1 and approximately 1,000 units of connectivity devices sold directly to distributors in the previous year.

Cost of goods sold and gross profit margin

For the year ended 31 December 2014, cost of goods sold was approximately USD30,992,000, as compared to approximately USD2,564,000 for the previous year, primarily due to increased sales of both YotaPhone and connectivity devices. The Target Group recorded a gross loss for the year ended 31 December 2014, mainly attributable to the provision of approximately US$1,733,000 relating to the stock of YotaPhone 1 and the provision of approximately US$1,792,000 relating to the prepayments made to the manufacturer of YotaPhone 1.

Operating expenses

For the year ended 31 December 2014, the operating expenses of the Target Group were approximately USD44,487,000, as compared to approximately USD17,223,000 for the previous year. The increase in operating expenses in 2014 was mainly attributable to the increase in amortisation, marketing expenses, salaries and social contributions and research and development. Following the additions of industrial design (as part of the intangible assets) relating to the costs incurred by the Target Group for the development of YotaPhone 1 and YotaPhone 2 in 2013 and 2014 respectively, the Target Group recorded higher amortisation expenses in 2014. To enhance the sales of YotaPhone 1 and prepare for the launch of the YotaPhone 2 in December 2014, the Target Group incurred higher marketing expenses, staff cost and research and development expenses for the year ended 31 December 2014.

Net finance cost

The Target Group recorded net finance cost of approximately USD687,000 for the year ended 31 December 2014, mainly attributable to (i) the interest expense on loans from the previous shareholder of the Target Group of approximately USD2,802,000; and (ii) the interest expense on third-party loans of approximately USD929,000, which was partially offset by the net foreign exchange income of approximately USD3,060,000.

Income tax expense

For the year ended 31 December 2014, the Target Group's applicable tax rates were 20% for Russia, 12.5% for Cyprus, 0% for BVI, 20% for Finland, 17% for Singapore, 29.58% for Germany, 16.5% for Hong Kong, 25% for China and 26.5% for Canada.

Loss for the year

As a result of the aforesaid, the Target Group recorded a loss of approximately USD46,148,000 for the year ended 31 December 2014, as compared to a loss of approximately USD19,998,000 for the previous year.

For the nine months ended 30 September 2015

Revenue

The revenue of the Target Group increased from approximately USD14,300,000 for the nine months ended 30 September 2014 to approximately USD15,876,000 for the nine months ended 30 September 2015, mainly attributable to the full-period sales of YotaPhone 2 recognised in the first nine months of 2015 since its commencement in December 2014 which was partially offset by the decrease in sales of connectivity devices. For the nine months ended 30 September 2015, the number of units of YotaPhone sold and the number of units of connectivity devices sold directly to distributors were approximately 25,100 units (comprising approximately 1,000 units of YotaPhone 1 and 24,100 units of YotaPhone 2) and approximately 38,000 units of connectivity devices, respectively, as compared to approximately 14,000 units of YotaPhone 1 and approximately 171,000 units of connectivity devices sold directly to distributors in the previous period.

Cost of goods sold and gross profit margin

Cost of goods sold decreased from approximately USD16,066,000 for the nine months ended 30 September 2014 to approximately USD15,465,000 for the nine months ended 30 September 2015, mainly due to the decrease in the cost of goods sold associated with connectivity devices which was partially offset by the increase in the cost of goods sold relating to YotaPhone. As a result of the provision relating to YotaPhone, the Target Group recorded a gross loss and a gross profit margin of approximately 2.6% for the nine months ended 30 September 2014 and 2015, respectively.

Operating expenses

For the nine months ended 30 September 2015, the operating expenses of the Target Group were approximately USD28,416,000, as compared to approximately USD28,332,000 for the nine months ended 30 September 2014. Such slight increase in operating expenses was mainly attributable to the increase in marketing expenses and salaries which was partially offset by the decrease in amortisation expenses and research and development. To enhance the sales of YotaPhone 2, the Target Group incurred higher marketing expenses and staff costs for the nine months ended 30 September 2015.

Net finance income/(costs)

The net finance costs of the Target Group for the nine months ended 30 September 2015 were approximately USD2,710,000, which mainly comprised interest expense on loans from the previous shareholder of the Target Group and third party loans of approximately USD3,825,000, partially offset by the net foreign exchange income of approximately USD1,966,000. The net finance income for the nine months ended 30 September 2014 of approximately USD1,307,000 mainly represented the net foreign exchange income which was partially offset by the interest expense on loans from the previous shareholder of the Target Group.

Income tax expense

For the nine months ended 30 September 2015, the Target Group's applicable tax rates were 20% for Russia, 12.5% for Cyprus, 0% for BVI and the Cayman Islands, 20% for Finland, 17% for Singapore, 29.65% for Germany,16.5% for Hong Kong, 25% for China and 26.5% for Canada.

Loss for the period

As a result of the aforesaid, the Target Group recorded a loss of approximately USD30,724,000 for the nine months ended 30 September 2015, as compared to a loss of approximately USD28,346,000 for the nine months ended 30 September 2014.

Liquidity and financial resources

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the net current liabilities of the Target Group were approximately USD7,746,000, USD39,601,000, USD86,322,000 and USD112,013,000, respectively. The Target Group had current assets of approximately USD12,762,000, USD9,665,000, USD40,645,000 and USD29,826,000 as at 31 December 2012 and 2013 and 2014 and 30 September 2015, respectively, which consisted of inventories, other financial assets, trade and other receivable and cash and cash equivalents. The Target Group had current liabilities of approximately USD20,508,000, USD49,266,000, USD126,967,000 and USD141,839,000 as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively, which mainly consisted of loans and borrowings and trade and other payables. In addition, the Target Group incurred a loss for each of the three years ended 31 December 2014 and the nine months ended 30 September 2015. These conditions indicate the existence of material uncertainty which may cast significant doubt about the Target Group's ability to continue as a going concern.

The management of the Target Group believes that the repayment of the debts will not be required or in case that financing will be required, the respective financing recourses that will be provided by the shareholders of the Target Company will be sufficient to meet the future repayment requirements or to cover other financing needs. The current shareholders of the Target Company demonstrated their intention to provide financial support when needed.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group had cash and cash equivalents of approximately USD12,033,000, USD256,000, USD2,202,000 and USD1,659,000, respectively, mainly denominated in Euro, USD and Russian Rouble.

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group had loans and borrowings (mainly denominated in USD and Euro) of approximately USD18,645,000, USD42,794,000, USD91,567,000 and USD102,573,000, bearing fixed interest rates of 6.6% to 7.65%, 6.5% to 7.65%, 0% to 7.65% and 0% to 10.0%, respectively, all of which were unsecured and either repayable on demand or due in April 2016 with no covenants or additional requirements stipulated in the relevant loan agreements.

Capital structure and gearing ratio

As at 31 December 2012, 2013 and 2014 and 30 September 2015, loans and borrowings of the Target Group were approximately USD18,645,000, USD42,794,000, USD91,567,000 and USD102,573,000, and total assets of the Target Group were approximately USD16,165,000, USD24,957,000, USD58,869,000 and USD44,237,000, respectively. The gearing ratio, being loans and borrowings divided by total assets, was approximately 115.3%, 171.5%, 155.5% and 231.9% as at 31 December 2012, 2013 and 2014 and 30 September 2015, respectively.

Interest rate risk

The Target Group's loans and borrowings are fixed rate based and the management of the Target Group believes that the risk of changes to future cash outflow is not significant. The Target Group plans to continue borrowing at fixed rates in the future. For any future borrowing at variable interest rate, the Target Group will monitor the interest rate flutuations on a continuous basis and act accordingly.

Foreign currency risk

The Target Group is exposed to foreign currency risk to the extent that there is a mismatch between currencies in which sales, purchases and borrowings are denominated and the respective functional currencies of the members of the Target Group. The functional currencies of the Target Group are primarily USD, Russian Rouble and Euro. The currencies in which the Target Group's transactions are primarily denominated are USD, Russian Rouble, Euro and Singapore Dollar. In addition, loans and borrowings of the Target Group are denominated primarily in Euro and USD. In addition, interest on borrowings is denominated in the currency of the borrowing.

Treasury management

The Target Group has no formal policy for capital management but the management seeks to maintain a sufficient capital base for meeting the Target Group's operational and strategic needs, and to maintain confidence of market participants. This is achieved with efficient cash management, constant monitoring of the Target Group's revenues and profit, and long-term investment plans mainly financed by the Target Group's shareholders and other companies under common control of the shareholders. With these measures in place, the Target Group aims for steady profits growth.

Contingent liabilities

Litigation

For details of the litigation with Hi-P, please refer to the paragraph headed "Dispute with Hi-P" under the section headed "Letter from the Board" in this circular.

Taxation

The taxation system in the Russian Federation continues to evolve and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are sometimes contradictory and subject to varying interpretation by different tax authorities, which may create tax risks in the Russian Federation that are substantially more significant than in other countries. The management of the Target Group believes that it has provided adequately for tax liabilities based on its interpretations of applicable Russian tax legislation, official pronouncements and court decisions. However, the interpretations of the tax authorities and courts could differ and the effect on the combined financial statements of the Target Group, if the authorities were successful in enforcing their interpretations, could be significant.

Pledge of assets

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company did not have any pledge of assets.

Significant investment, material acquisition and disposal

The Target Group did not have any significant investment, material acquisition and disposal during the Relevant Period.

Employee and remuneration policies

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Group had 37, 84, 146 and 112 employees, respectively. Remuneration for employees is determined in accordance with performance, professional experiences, qualifications, skills and the prevailing market conditions. The management of the Target Group reviews the employee remuneration policy and arrangement on a regular basis. The Target Group also grants discretionary bonuses to certain employees as awards in accordance with individual performance.

Commitments

As at 31 December 2014, the Target Group had commitments in the amount of USD31,948,000, which were related to the purchase of YotaPhone 2 (USD23,600,000) and connectivity devices (USD8,348,000). The Target Group had no significant commitments as at 31 December 2012 and 2013 and 30 September 2015.

Future plans for material investment and acquisition of capital assets

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the Target Company had no specific plan for material investment and acquisition of capital assets.

Set out below are particulars of Rex Nominee 1PR:

Part A Registered trademarks

Owner: Yota (BVI)

	Registration number	Country
1.	1193107	Austria Benelux Germany Spain France United Kingdom Italy Israel Japan Republic of Korea Singapore Turkey China
2.	1196734	Austria Benelux Switzerland Germany Spain France United Kingdom Greece Italy Israel Japan Republic of Korea Singapore Turkey China
3.	40201400610T	Singapore
4.	40201400612P	Singapore
5.	545994	Russia
6.	555836	Russia

	Registration number	Country
7.	555835	Russia
8.	1232045	Austria UK Singapore Benelux China Germany Italy Spain France Switzerland Greece Japan
9.	1252111	Austria
10.	1262395	France
11.	2015051618	Malaysia
12.	2015051619	Malaysia
13.	2015051621	Malaysia
14.	2015051623	Malaysia
15.	2015051625	Malaysia
16.	2015051626	Malaysia
17.	2015051627	Malaysia
18.	2015051628	Malaysia
19.	2015051630	Malaysia
20.	2015051632	Malaysia
21.	2015051633	Malaysia
22.	2015051634	Malaysia

Part B Applications for the registration of trademarks

Applicant: Yota (BVI)

	Application number	Country
1.	1193107	Switzerland Greece USA Zimbabwe Namibia Botswana Mozambique China
2.	1196734	USA China
3.	104007194	Taiwan
4.	104007198	Taiwan
5.	2015051618	Malaysia
6.	2015051619	Malaysia
7.	2015051621	Malaysia
8.	2015051623	Malaysia
9.	2015051625	Malaysia
10.	2015051626	Malaysia
11.	2015051627	Malaysia
12.	2015051628	Malaysia
13.	2015051630	Malaysia
14.	2015051632	Malaysia
15.	2015051633	Malaysia
16.	2015051634	Malaysia

	Application number	Country
17.	303294478	Hong Kong
18.	303294469	Hong Kong
19.	1252111	China Israel South Korea Japan Mexico
20.	86328917	USA
21.	1250352	China Austria Israel South Korea Japan Mexico
22.	86328932	USA
23.	1262395	UK France Germany Israel China USA South Korea Japan Singapore Mexico
24.	2014730892	Russia
25.	303168018	Hong Kong
26.	2014711692	Russia

	Application number	Country
27.	1232045	Greece Israel Japan Republic of Korea Turkey USA Switzerland
28.	16747831	China
29.	16747832	China
30.	16753055	China
31.	16753141	China
32.	16753178	China
33.	16751382	China
34.	16751437	China
35.	16751694	China
36.	16751981	China
37.	16752158	China
38.	16751333	China
39.	16751597	China
40.	16751850	China
41.	16752052	China
42.	16752260	China
43.	16751375	China
44.	16751777	China
45.	16751791	China

	Application number	Country
46.	16752296	China
47.	16752077	China
48.	18273225	China
49.	18273226	China
50.	18273227	China
51.	18273228	China
52.	303611501	Hong Kong
53.	104071478	Taiwan
54.	N/106587 (791)	Macao

Part C Trademark and software license agreements

	Date of the agreement	Parties	Trademarks concerned	Term of the agreement
1.	28 September 2015	Udentu (as right holder and licensor) Yota (BVI) (as licensee)	• Trademark with international registration number 1003694; • Trademark with international registration number 1004410; • Trademark with international registration number 908404A; • Community Trade Mark with application number 008864522	The agreement shall terminate upon the final expiration and/or termination of the licensor's exclusive rights to the trademarks. The licensor shall extend the effective period of each trademark upon its expiry and the term of the agreement shall be renewed for the whole new term of the trademarks. The agreement shall cease to have effect if licensor's exclusive rights are terminated.

	Date of the agreement	Parties	Trademarks concerned	Term of the agreement
2.	28 September 2015	Udentu (as right holder and licensor) Yota (BVI) (as licensee)	• Trademark under certificate number 366346; • Trademark under certificate number 369666; • Trademark under certificate number 432407; • Trademark under certificate number 432408	The agreement shall terminate upon the expiration of each trademark. The effective period of each trademark upon its expiry shall be extended and the term of the agreement shall be renewed by the parties for the whole new term of the trademarks, but not less than until 10 June 2028. The agreement shall cease to have effect if licensor's exclusive rights are terminated.
3.	14 February 2013	Qualcomm Technologies Inc, (as right holder and licensor) Yota Devices Ltd (as licensee)	Qualcomm Advance mobile subscriber station software, Application processor software, Dual mode subscriber software as set forth in Addendums	Until terminated by the parties as described in Section 7
4.	10 June 2014	Sypmhony Teleca Aktiebolag (as right holder and licensor) Yota Devices Ltd (as licensee)	FOTA Solution	Until terminated by the parties as described in Section 3
5.	02 December 2013	ABBY Solutions Ltd (as right holder and licensor) Yota Devices Ltd (as licensee)	• ABBYY Phrasebooks+ • ABBYY Tutor • ABBYY Lingvo Dictionaries	31 December 2016 unless earlier terminated as provided in the agreement.

	Date of the agreement	Parties	Trademarks concerned	Term of the agreement
6.	01 November 2013	AccuWeather International Inc. (as right holder and licensor) Yota Devices Ltd (as licensee)	• Access to an API hosted by AccuWeather which will display weather content in Licensee's widget, developed by licensee and made available for integration with licensee's mobile devices; • AccuWeather links to AccuWeather's Web site preprogramed into widget; • URLs provided by AccuWeather for purposes of tracking which widget end users utilize the links to AccuWeather's mobile Web site	The agreement shall remain in full force and effect for a period of 2 years period starting from 01 November 2013. It shall remain and continue in full force and effect for subsequent periods of one year unless written notice of termination is received by one party from the other party at least 90 days prior to the initial expiration date or any subsequent expiration date.
7.	25 August 2014	Twitter Inc. (as right holder and licensor) Yota Devices Ltd (as licensee)	• Twitter's official Twitter for Android client version 5.21.0, as updated by Twitter and made commercially available from time to time; • Twitter's official Vine for Android client version 2.1.2, as updated by Twitter and made commercially available from time to time	The agreement will be effective as of 25 August 2014 and remain effective for 12 months thereafter (initial term). The agreement will automatically be extended for additional 12 months period (renewal term) unless either party gives the other prior written notice of termination more than 60 days prior to the expiration of the then current initial term or renewal term.

	Date of the agreement	Parties	Trademarks concerned	Term of the agreement
8.	15 August 2014	Xignite Inc. (as right holder and licensor) Yota Devices Ltd (as licensee)	• Xignite Global Historical • Xignite Global Currencies	The agreement commence on 15 August 2014 and will remain until 15 September 2015 (initial term). After the initial term, this agreement will automatically renew for successive renewal terms, which the first renewal term beginning on 15 September 2015, and each such renewal term continuing for 12 months. This agreement will remain in effect until either party terminates the agreement pursuant to Section 2.1 of the General terms and conditions, set forth in Schedule B.
9.	06 October 2015	Bescontact LLC (as right holder and licensor) Yota Devices LLC (as licensee)	• NFC Appendix	The agreement will be effective as of 06 October 2015 and remain effective for 12 months thereafter (initial term). The agreement will automatically be extended for additional 12 months period (renewal term) unless either party gives the other prior written notice of termination more than 30 days prior to the expiration of the then current initial term. The agreement may also be terminated by either party as described in Section 11.

	Date of the agreement	Parties	Trademarks concerned	Term of the agreement
10.	01 April 2015	Random Access Media LLC (as right holder and licensor) Yota Devices Ltd (as licensee)	• Bookmate mobile applications; • www.bookmate.com website	The agreement will be effective as of 01 April 2015 and remain effective until 01 April 2016. The term of the agreement automatically extends for 1 additional year after each expiration date unless terminated by either party as described in Section 6.
11.	16 June 2014	Google Ireland Limited (as right holder and licensor) Yota Devices Ltd (as licensee)	• VSC Client (Google's virtual smart card decryption software client for video optimization and/or DRM as applicable delivered by Google to Licensee that when properly embedded in the Combined Solution enables a content delivery system to recognize the Device)	The initial term of the agreement ("Term") will commence upon 16 June 2014 and continue for a period of two (2) years unless earlier terminated as provided in the agreement. The Term shall renew automatically for consecutive one (1) year Terms unless either party gives written notice to the other party within thirty (30) days before the end of the then-current Term of its wish to terminate the agreement.

Part D Patents

	Title	Country	Patent number	Owner	Third Party Right
		Utility models and inventions			
1.	DEVICE WITH DISPLAY SCREEN	China	1576361	Yota (BVI)	N/A
		Japan	3189115U	Yota (BVI)	N/A
		Germany	212 011 100 048	Yota (BVI)	N/A
		Germany	20 2011 1103 78	Yota (BVI)	N/A
		Hong Kong	HK1180497	Yota (BVI)	N/A

	Title	Country	Patent number	Owner	Third Party Right
			Utility models and inventions		
2.	DETACHABLE CASING	Russia	141707	Yota (BVI)	License agreement between Yota (BVI) (as licensor) and LLC Kanonir (as licensee) dated 22 December 2014 (registered on 18 March 2015 under number РД0169387)

	Title	Country	Patent number	Owner
		Industrial designs		
3.	Cordless modems	Canada	150838	Yota (BVI)
4.	Cordless modems	China	2697934	Yota (BVI)
5.	Cordless modems	European Union	2125245-0001, 2125245-0002	Yota (BVI)
6.	Cordless modems	Hong Kong	1300679.4	Yota (BVI)
7.	Cordless modems	Japan	1485342	Yota (BVI)
8.	Cordless modems	Russia	91686	Yota (BVI)
9.	Cordless modems	South Korea	30-759007	Yota (BVI)
10.	Cordless modems	Taiwan	163933	Yota (BVI)
11.	Wireless routers	Canada	150839	Yota (BVI)
12.	Wireless routers	China	2687161	Yota (BVI)
13.	Wireless routers	European Union	2125229-0001, 2125229-0002	Yota (BVI)
14.	Wireless routers	Hong Kong	1300680.6	Yota (BVI)
15.	Wireless routers	Japan	1485343	Yota (BVI)
16.	Wireless routers	Russia	90356	Yota (BVI)
17.	Wireless routers	South Korea	30-0759008	Yota (BVI)
18.	Wireless routers	China	302361465	Yota (BVI)
19.	Wireless routers	European Union	1982554-0001, 1982554-0002	Yota (BVI)
20.	Cordless modems	China	302361466	Yota (BVI)

	Title	Country	Patent number	Owner
21.	Cordless modems	European Union	1982562-0001, 1982562-0002	Yota (BVI)
22.	Handheld electronic device	China	301996448	Yota (BVI)
23.	Handheld electronic device	European Union	002115220	Yota (BVI)
24.	Handheld electronic device	Russia	81012	Yota (BVI)
25.	Dual screen mobile telephone	Canada	156794	Yota (BVI)
26.	Dual screen mobile telephone	Canada	150564	Yota (BVI)
27.	Dual screen mobile telephone	European Union	2115220-0001, 2115220-0002	Yota (BVI)
28.	Dual screen mobile telephone	Hong Kong	1300565.3M001, 1300565.3M002	Yota (BVI)
29.	Dual screen mobile telephone	Japan	1490779	Yota (BVI)
30.	Dual screen mobile telephone	Japan	1491174	Yota (BVI)
31.	Smartphone	South Korea	30-0781586-0000	Yota (BVI)
32.	Smartphone	South Korea	3007715360000	Yota (BVI)
33.	Portable electronic device (two variants); portable electronic device body	Russia	21026	Yota (BVI)
34.	Portable electronic device	Australia	AU 353310 S	Yota (BVI)
35.	Portable electronic device	Australia	AU 354126 S	Yota (BVI)
36.	Portable electronic device body	Australia	AU 354125 S	Yota (BVI)
37.	Portable electronic device (two variants); portable electronic device body	European Union	1385934-0001, 1385934-0002, 1385934-0003	Yota (BVI)
38.	Portable electronic device	China	302857085S8	Yota (BVI)
39.	Portable electronic device body	China	302857086S	Yota (BVI)
40.	Portable electronic device	South Korea	3020140007144	Yota (BVI)
41.	Portable electronic device body	South Korea	3007823000000	Yota (BVI)
42.	Dual screen mobile telephone	Hong Kong	1300565.3M002	Yota (BVI)
43.	Cordless modems	Brazil	BR 30 2013 001906 3	Yota (BVI)
44.	Dual screen mobile telephone	Brazil	BR 30 2013 001552 1	Yota (BVI)

	Title	Country	Patent number	Owner
45.	Portable electronic device	Japan	D1523018	Yota(BVI)
46.	Portable electronic device	Japan	D1524942	Yota(BVI)
47.	Portable electronic device body	Japan	D1525269	Yota(BVI)
48.	Portable electronic device (four variants); portable electronic device body (two variants)	Russia	93511	Yota(BVI)
49.	Wireless routers	Taiwan	D166904	Yota(BVI)
50.	Wireless routers	Taiwan	D166903	Yota(BVI)

Part E Software

Software

1. YotaHub
2. Titanium Manager
3. YotaCover
4. YotaNotes
5. YotaReader
6. YotaReader Collection
7. YotaReader Widget
8. YotaRSS
9. YotaSnap
10. Tutorial
11. Twitter
12. 2048
13. AppsLauncher
14. Battery (YotaEnergy)
15. Browser
16. Checkers
17. Chess
18. Clock
19. Contacts
20. Counter
21. Dialer
22. Finance (Currency/Stocks)
23. FM Radio
24. Music Player
25. Organizer

Software

26. Retail Mode
27. Settings
28. Social Account
29. Sudoku
30. Weather
31. Facebook widget
32. Instagram widget
33. YotaRemote
34. Castle widget
35. Gmail
36. HumanFace widget
37. Tree widget
38. Esquire
39. Questions
40. Strelka
41. Vector
42. Tower Clock widget
43. Venus widget
44. YotaSports
45. YotaFit
46. Yotagram
47. YotaCanvas
48. VoiceTranslator
49. YETI (Yota EPD Technology Integration) Platform
50. System Paper UI
51. Calculator
52. YotaSelfie
53. Control Panel
54. Radio widget
55. SDK
56. YotaTravel
57. YotaTasks

RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

DISCLOSURE OF INTERESTS

Directors' and chief executives' interests and short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations

Save as mentioned below, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions, if any, which any such Director or the chief executive of the Company was taken or deemed to have under such provisions of the SFO); or which (ii) were required to be entered into the register maintained by the Company, pursuant to section 352 of the SFO; or which (iii) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules:

Long position in the Shares

Name of Director	Nature of interest	Number of Shares	Approximate percentage of the issued share capital of the Company *(Note 2)*
Mr. Yeung Chun Wai, Anthony	Beneficial owner	812,191,377	10.75%
	Interests of spouse *(Note 1)*	1,430,833,187	18.93%
		2,243,024,564	29.68%
Mr. Wong King Shiu, Daniel	Beneficial owner	3,000,000	0.04%
Mr. Chan Chi Yuen	Beneficial owner	4,750,000	0.06%

Notes:

1. These Shares were held by Nova Investment Group Limited, which was wholly and beneficially owned by Lui Lai Yan (spouse of Yeung Chun Wai, Anthony).

2. The percentage shareholding in the Company is calculated on the basis of 7,557,195,617 Shares in issue as at the Latest Practicable Date.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors and chief executives of the Company had any interests or short position in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (i) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions, if any, which any such Director or the chief executive of the Company was taken or deemed to have under such provisions of the SFO); or which (ii) were required to be entered into the register maintained by the Company, pursuant to section 352 of the SFO; or which (iii) were required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers as set out in Appendix 10 of the Listing Rules.

Substantial Shareholders' interests

Save as disclosed below, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

Long position in the Shares

Name	Capacity	Interest in Shares	Approximate percentage of the issued share capital of the Company *(Note 3)*
Mr. Yeung Chun Wai, Anthony	Beneficial owner	812,191,777	10.75%
	Interests of spouse *(Note 1)*	1,430,833,187	18.93%
		2,243,024,564	29.68%
Ms. Lui Lai Yan	Interests in controlled corporation *(Note 1)*	1,430,833,187	18.93%
	Interests of spouse *(Note 1)*	812,191,777	10.75%
		2,243,024,564	29.68%
Nova Investment Group Limited *(Note 1)*	Beneficial owner	1,430,833,187	18.93%
Mr. Sie Winston	Beneficial owner	70,000,000	0.93%
	Interests in controlled corporation *(Note 2)*	667,000,000	8.83%
		737,000,000	9.76%
Sino Advisor International Limited *(Note 2)*	Beneficial owner	667,000,000	8.83%

Notes:

1. Nova Investment Group Limited is beneficially and wholly-owned by Lui Lai Yan (spouse of Yeung Chun Wai, Anthony).

2. Mr. Sie Winston, who is, to the best of the Directors' knowledge, information and belief having made all reasonable enquiry, an Independent Third Party, held 100% direct interests in Sino Advisor International Limited.

3. The percentage shareholding in the Company is calculated on the basis of 7,557,195,617 Shares in issue as at the Latest Practicable Date.

4. The number of Shares held by the Shareholders mentioned in the table above and the information set out in the notes in this paragraph are based on the information as shown on the website of the Stock Exchange as at the Latest Practicable Date.

Save as disclosed above, the Directors and the chief executive of the Company were not aware that there was any person who, as at the Latest Practicable Date, had an interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed under provisions of Division 2 and 3 of Part XV of the SFO, or who, as at the Latest Practicable Date, was directly and indirectly interested in ten per cent, or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company.

DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

As at the Latest Practicable Date, none of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date and which is significant in relation to the businesses of any member of the Group.

As at the Latest Practicable Date, none of the Directors had any interest, directly or indirectly, in any assets which have been, since 31 March 2015 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened by or against any member of the Group.

DIRECTORS' SERVICE CONTRACTS

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

MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the date of this circular:

(a) the Placing Agreements;

(b) the Sale and Purchase Agreement;

(c) the sale and purchase agreement dated 19 November 2014 entered into between the Company and Penrith Resources Limited in relation to: (i) the disposal of the entire issued share capital of Jumbo Wealth International Limited ("Jumbo Wealth") by the Company; and (ii) the assignment of the shareholder loan to be granted by the Company to Jumbo Wealth, at a total consideration of HK$340,000,000, the details of which are set out in the announcement of the Company dated 27 November 2014, the circular of the Company dated 23 December 2014 and the announcement of the Company dated 3 February 2015;

(d) the placing agreement dated 15 August 2014 entered into between the Company and China Rich Securities Limited (as placing agent) in relation to the placing of the notes in the aggregate amount of up to HK$280,000,000 to be issued by the Company by the Placing Agent, the details of which are set out in the announcement of the Company dated 15 August 2014;

(e) the underwriting agreement dated 11 July 2014 entered into between the Company and Cepa Alliance Securities Limited and Enlighten Securities Limited as underwriters in relation to the rights issue of 2,198,840,745 new Shares at the subscription price of HK$0.068 per new Share on the basis of 1 new Share for every 2 existing Shares held on 18 August 2014 payable in full on acceptance, the details of which are set out in the prospectus dated 19 August 2014; and

(f) the commitment letter dated 30 June 2014 entered into between Oceanic Eagle Limited, a wholly-owned subsidiary of the Company, Norwest Global Limited and Star Sail Investments Limited in relation to the joint venture between Oceanic Eagle Limited and Norwest Global Limited proposed to be carried out through Star Sail Investments Limited, the details of which are set out in the announcement of the Company dated 2 July 2014.

EXPERTS AND CONSENTS

The following is the qualification of the experts who have given opinion or advice which is contained in this circular:

Name	Qualifications
KPMG Cyprus	Certified Public Accountants
Ting Ho Kwan & Chan CPA Limited	Certified Public Accountants

As at the Latest Practicable Date, each of the experts named above (i) had no shareholding in any member of the Group and did not have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group; (ii) had no direct or indirect interest in any assets which had been, since 31 March 2015 (the date to which the latest published audited consolidated financial statements of the Group were made up), acquired, disposed of by, or leased to any member of the Group, or were proposed to be acquired, disposed of by, or leased to any member of the Group; and (iii) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or report and the reference to its name included herein in the form and context in which it appears.

GENERAL

(a) The registered office of the Company is situated at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda.

(b) The head office and principal place of business in Hong Kong is Suites 3401-3413, 34/F, Two Pacific Place, 88 Queensway, Hong Kong.

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

(d) The principal share registrar and transfer office of the Company is MUFG Fund Services (Bermuda) Limited, The Belvedere Building, 69 Pitts Bay Road, Pembroke HM08, Bermuda.

(e) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

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

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours on any business day from the date of this circular up to and including the date of the SGM at the head office and principal place of business of the Company in Hong Kong at Suites 3401-3413, 34/F, Two Pacific Place, 88 Queensway, Hong Kong:

(a) the memorandum of association and the bye-laws of the Company;

(b) the annual reports of the Company for each of the three financial years ended 31 March 2013, 2014 and 2015;

(c) the interim report of the Company for the six months ended 30 September 2015;

(d) the material contracts referred to under the section headed ''MATERIAL CONTRACTS'' in this appendix;

(e) the report issued by KPMG Cyprus in relation to the financial information of the Target Group, the text of which is set out in Appendix II to this circular;

(f) the report issued by Ting Ho Kwan & Chan CPA Limited in relation to the unaudited pro-forma financial information of the Group, the text of which is set out in Appendix III to this circular;

(g) the letters of consent from the experts named in the paragraph headed ''EXPERTS AND CONSENTS'' in this appendix; and

(h) a copy of each circular issued pursuant to the requirements set out in Chapters 14 and/ or 14A of the Listing Rules which has been issued since 31 March 2015, being the date to which the latest published audited financial statements of the Group were made up.

REX Global Entertainment Holdings Limited
御濠娛樂控股有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 164)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting ("SGM") of the shareholders of REX Global Entertainment Holdings Limited (the "Company") will be held at 2:30 p.m. on Friday, 22 April 2016 at Hennessy Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong for the following purposes:

1. To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

ORDINARY RESOLUTIONS

(a) "**THAT**:

(i) the conditional sale and purchase agreement dated 8 October 2015 (as amended by a deed of amendment dated 23 December 2015 and a second deed of amendment dated 29 March 2016) (copies of which have been produced to the SGM marked "A" and signed by the Chairman of the SGM for the purpose of identification) entered into between the Company, as purchaser, and Telconet Capital Limited Partnership as seller (the "Sale and Purchase Agreement") in relation to, among other things, the proposed acquisition of 30% of the issued share capital of Yota, a company incorporated in the Cayman Islands with limited liability (the "Target Company"), by the Company (or its nominee) and, subject to completion of the Sale and Purchase Agreement and the entering into of an intellectual property licence agreement, the grant of a licence by the Target Company and/or its subsidiary(ies) in relation to the exclusive use by China Baoli Innovation Technologies Limited, a subsidiary of the Company, the Company and other subsidiaries of the Company of the intellectual property rights as necessary to market and sell "YOTAPHONE" in the People's Republic of China, which for the avoidance of doubt, includes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan, for 7 years, and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and

(ii) any one or more of the directors of the Company (the "Directors") be and is/are hereby authorised to do all such acts and things and execute all such documents on behalf of the Company which he/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder and all acts by the Director(s) as aforesaid be and is/are hereby approved, ratified and confirmed."

(b) "**THAT**:

(i) the conditional placing agreement dated 14 January 2016 (as amended by an agreement dated 29 March 2016) (copies of which have been produced to the SGM marked "B", and signed by the chairman of the SGM for the purpose of identification) entered into between the Company and Innovax Capital Limited as placing agent and the conditional placing agreement dated 29 March 2016 (a copy of which has been produced to the SGM marked "C" and signed by the chairman of the SGM for the purpose of identification) entered into by the Company and Haitong International Securities Company Limited as placing agent (collectively, the "Placing Agreements") in relation to the placing of up to 25,000,000,000 new shares of the Company (the "Placing Shares") at a price of HK$0.032 each on a best efforts basis, and all the transactions contemplated thereunder (including the allotment and issue of the Placing Shares pursuant thereto) be and are hereby approved, ratified and confirmed;

(ii) the Directors be and are hereby specifically authorised to allot and issue the Placing Shares in accordance with the terms of the Placing Agreements; and

(iii) any one or more of the Directors be and is/are hereby authorised to do all such acts and things and execute all such documents on behalf of the Company which he/they consider(s) necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the terms of the Placing Agreements and the transactions contemplated thereunder (including the allotment and issue of the Placing Shares pursuant thereto) and all acts by the Director(s) as aforesaid be and is/are hereby approved, ratified and confirmed."

(c) "**THAT**:

the authorised share capital of the Company be and is hereby increased from HK$150,000,000 divided into 15,000,000,000 shares of par value HK$0.01 each ("Shares") to HK$650,000,000 divided into 65,000,000,000 Shares by the creation of an additional 50,000,000,000 new Shares which are to rank *pari passu* with the existing Shares in all respect; and the Directors be and are hereby authorised to do all things, including but not limited to the execution of all documents and exercise of the powers of the Company which the Directors may deem to be necessary or desirable to effect the aforesaid increase in authorised share capital of the Company."

2. To consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

SPECIAL RESOLUTION

"**THAT**:

(i) subject to and conditional upon the approval of the Registrar of Companies in Bermuda being obtained, the English name of the Company be and is hereby changed from "REX Global Entertainment Holdings Limited" to "China Baoli Technologies Holdings Limited" and a new Chinese name "中國寶力科技控股有限公司" be and is hereby adopted as the secondary name of the Company in place of the existing secondary name of the Company "御濠娛樂控股有限公司" (the "Change of Company Name") with effect from the date of entry of the new English name and new secondary name of the Company on the register maintained by the Registrar of Companies in Bermuda; and

(ii) the Directors be and are hereby authorized to do all such acts, deeds and things and execute all such documents, including under seal where applicable, as they may consider necessary or expedient in connection with the implementation of or to give effect to the Change of Company Name."

By order of the Board
REX Global Entertainment Holdings Limited
Yeung Chun Wai, Anthony
Executive Director

Hong Kong, 31 March 2016

Notes:

1. Any shareholder entitled to attend and vote at the SGM shall be entitled to appoint another person as his proxy to attend and vote instead of him. A proxy need not be a shareholder of the Company. A shareholder who is the holder of two or more shares may appoint more than one proxy to attend and vote on the same occasion.

2. Where there are joint registered holders of any share(s) in the capital of the Company, any one of such joint holders may attend and vote at the SGM, either in person or by proxy in respect of such share(s) as if he/she were solely entitled thereto, but if more than one of such joint holders are present at the SGM or any adjourned meeting thereof (as the case may be), the more senior shall alone be entitled to vote, whether in person or by proxy. 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.

3. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy of that power or authority must be deposited at the Company's branch share registrar in Hong Kong, Tricor Secretaries Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time fixed for holding the SGM.

4. Completion and return of the form of proxy will not preclude members from attending and voting at the SGM or any adjourned meeting thereof (as the case may be) should they so wish and in such event, the form of proxy shall be deemed to be revoked.