



中國手遊文化投資有限公司

China Mobile Games and Cultural Investment Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8081)

First Quarterly Report 2015



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

This report will remain on the “Latest Company Announcements” page of the GEM website at <http://www.hkgem.com> for a minimum period of seven days from the date of its publication and on the Company’s website at <http://www.cmgc.com.hk>.

RESULTS

The board (the “**Board**”) of Directors (the “**Directors**”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (together the “**Group**”) for the three months ended 31 March 2015 (the “**Results**”), together with the unaudited comparative figures for the corresponding period in 2014 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 31 March 2015

	Notes	Three months ended 31 March	
		2015 HK\$'000	2014 HK\$'000
Revenue	2	105,460	43,635
Cost of inventories sold/services		(56,890)	(6,558)
Other gains and losses	3	5,840	24
Other revenue and income		172	560
Employee benefits expenses		(26,848)	(23,992)
Depreciation		(4,486)	(7,564)
Other operating expenses		(12,144)	(12,986)
Share of results of associates		2,358	253
Finance costs		(182)	(165)
Profit (loss) before income tax		13,280	(6,793)
Income tax expense	4	(2,307)	(34)
Profit (loss) for the period		10,973	(6,827)
Other comprehensive loss			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translation of:			
– Financial statements of overseas subsidiaries		25	–
– Financial statements of overseas associates		130	–
Fair value adjustment on available-for-sale investments		(11,305)	(13,473)
Other comprehensive loss for the period		(11,150)	(13,473)
Total comprehensive loss for the period		(177)	(20,300)

		Three months ended 31 March	
		2015	2014
		HK\$'000	HK\$'000
	Notes		
Profit (loss) for the period attributable to:			
Shareholders of the Company		6,778	(6,660)
Non-controlling interests		4,195	(167)
		10,973	(6,827)
Total comprehensive loss attributable to:			
Shareholders of the Company		(4,381)	(20,133)
Non-controlling interests		4,204	(167)
		(177)	(20,300)
Basic earnings (loss) per share – (HK cents)	5	0.27	(0.62)
Diluted earnings (loss) per share – (HK cents)	5	0.27	(0.62)

Notes to the unaudited condensed consolidated financial statements:

1. BASIS OF PREPARATION

The Results have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the "HKFRSs") and the disclosure requirements of the GEM Listing Rules.

The Results have been prepared under the historical cost basis, except for certain financial instruments which are measured at fair values. The principal accounting policies used in the preparation of these Results are consistent with those applied in the preparation of audited annual financial statements for the year ended 31 December 2014 with addition for the new and revised HKFRSs which are effective for the Group's financial year beginning on 1 January 2015. The adoption of these new and revised HKFRSs has no material effect on these Results.

The Group has not early adopted the new and revised HKFRSs that have been issued but are not yet effective.

2. REVENUE

Revenue represents the aggregate of the net amounts received and receivable from third parties for the three months ended 31 March 2015.

	Three months ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Income from mobile-online game business and provision of games related integral marketing services	59,530	–
Income from provision of medical diagnostic and health check services	45,930	42,875
Income from provision of IT services	–	629
Loans interest income and related income	–	131
	105,460	43,635

3. OTHER GAINS AND LOSSES

	Three months ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Realised gain on financial assets at fair value through profit or loss	5,711	66
Unrealised gain (loss) on financial assets at fair value through profit or loss	129	(154)
Gain on disposal of a subsidiary	–	112
	5,840	24

4. INCOME TAX EXPENSE

	Three months ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Current tax:		
Hong Kong Profits Tax	151	34
People's Republic of China ("PRC") Enterprise Income Tax	2,156	–
	2,307	34

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

5. EARNINGS (LOSS) PER SHARE

The calculation of basic and diluted earnings (loss) per share is based on the following data:

	Three months ended 31 March	
	2015 HK\$'000	2014 HK\$'000
Earnings (loss)		
Profit (loss) for the period attributable to shareholders of the Company	6,778	(6,660)

	2015	2014 (Restated)
Number of shares		
Weighted average number of ordinary shares in issue	2,496,122,430	1,070,100,393

The computation of diluted earnings per share for the three months ended 31 March 2015 does not assume the conversion of the Company's outstanding share options because the adjusted exercise prices of those options calculated in accordance with Hong Kong Accounting Standards 33 "Earnings Per Share" are higher than the average market price of the shares for the period, resulting in no dilutive effect on earnings per share.

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

6. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend in respect of the three months ended 31 March 2015 (2014: Nil).

7. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company										
	Share Capital	Share premium	Capital reduction reserve	Share options reserve	Translation reserve	Other reserve	Investment revaluation reserve	Accumulated losses	Total	Non-controlling interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2014 (audited)	93,086	143,717	-	-	-	-	-	(74,892)	161,911	831	162,742
Loss for the period	-	-	-	-	-	-	-	(6,660)	(6,660)	(167)	(6,827)
Other comprehensive loss for the period	-	-	-	-	-	-	(13,473)	-	(13,473)	-	(13,473)
Total comprehensive loss for the period	-	-	-	-	-	-	(13,473)	(6,660)	(20,133)	(167)	(20,300)
Shares issued upon placing	19,000	5,320	-	-	-	-	-	-	24,320	-	24,320
Share issuing expenses	-	(973)	-	-	-	-	-	-	(973)	-	(973)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	54	54
At 31.3.2014 (unaudited)	112,086	148,064	-	-	-	-	(13,473)	(81,552)	165,125	718	165,843
At 1.1.2015 (audited)	24,961	226,016	81,470	4,844	(156)	(63)	-	(11,060)	326,012	5,669	331,681
Profit for the period	-	-	-	-	-	-	-	6,778	6,778	4,195	10,973
Other comprehensive loss for the period	-	-	-	-	146	-	(11,305)	-	(11,159)	9	(11,150)
Total comprehensive loss for the period	-	-	-	-	146	-	(11,305)	6,778	(4,381)	4,204	(177)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	(374)	(374)
Change in ownership in a subsidiary that does not result in a loss of control	-	-	-	-	-	(1,012)	-	-	(1,012)	12,894	11,882
Share-based payments	-	-	-	2,235	-	-	-	-	2,235	-	2,235
At 31.3.2015 (unaudited)	24,961	226,016	81,470	7,079	(10)	(1,075)	(11,305)	(4,282)	322,854	22,393	345,247

MANAGEMENT DISCUSSION AND ANALYSIS

Business and Financial Review

During the three months ended 31 March 2015, the Group was principally engaged in (i) mobile-online game business and provision of games related integral marketing services; (ii) provision of IT services; (iii) provision of medical diagnostic and health check services; (iv) money lending business; and (v) securities investments business.

Revenue for the period under review amounted to approximately HK\$105,460,000 (2014: HK\$43,635,000), representing an increase of approximately 142% compared to the corresponding period in 2014. The Group recorded a net profit of approximately HK\$6,778,000 attributable to the shareholders of the Company for the period under review as compared to the net loss attributable to the shareholders of the Company in the corresponding period in 2014 of approximately HK\$6,660,000, mainly attributable to (a) the net profit recorded from the Group's business of provision of games related integral marketing services since the capital injection in 上海智趣廣告有限公司 (Shanghai Zhiqu Advertisement Co., Ltd.)* ("**Zhiqu**") in September 2014; (b) the share of results of Mighty Eight Investments Limited ("**Mighty Eight**"), which became an associate of the Company in September 2014; (c) the net profit recorded by the health check business for the period under review as compared to the net loss in the corresponding period in 2014; and (d) profit attributable to the gain on financial assets at fair value through profit or loss.

The Group recorded a total comprehensive loss attributable to the shareholders of the Company of approximately HK\$4,381,000 for the period under review. As compared with the corresponding period in 2014 of approximately HK\$20,133,000, the decrease was mainly attributable to the reasons mentioned above and the decrease in loss attributable to the unrealised fair value change on available-for-sale investment from approximately HK\$13,473,000 for the three months ended 31 March 2014 to approximately HK\$11,305,000 for the three months ended 31 March 2015.

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

1. Games related integral marketing services

The Group has started the provision of games related integral marketing services since the capital injection in Zhiqu in September 2014. During the period under review, revenue generated from the provision of games related integrated marketing services amounted to approximately HK\$59,530,000 (2014: Nil), which accounted for approximately 56% (2014: Nil) of the Group's revenue. The net profit before taxation from the provision of games related integrated marketing services amounted to approximately HK\$8,622,000 (2014: Nil). Under the development of gaming market in China, Zhiqu achieved a continuous growth in revenue and, through expansion in its business scale, captured the opportunities in the emerging market. The offering of reliable after-sales services allow Zhiqu to establish a stable relationship with its customers. The Board is optimistic about the business opportunities and potential from the provision of games related integral marketing services.

2. Investment in Mighty Eight

In 2014, the Group completed a series of acquisition of 24% issued share capital of Mighty Eight at an aggregate consideration of HK\$210,170,000.

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

Mighty Eight Group focused and kept on designing and developing new mobile-online games with innovative in-game experiences like “SanGuo-Mobile” (手機三國), “Voyage-Mobile” (手機大航海, also known as 航海爭霸) and “SanGuo Card” (Q卡三國). In January 2015, it started open beta testing of another new mobile-online game, namely “NBA Hero” (NBA英雄, also known as 美職籃英雄), which is an official licensed mobile-online game of National Basketball Association. Other than mobile-online games development, since September 2014, Mighty Eight Group also initiated its strategy to publish and distribute games developed by third-party developers to different regions such as the third-party developed mobile-online RPG game “Tian Tian Gua Ji” (天天掛機) in the region of Hong Kong, Macau and Taiwan.

3. Mobile-online game development by the Group

The Group is undergoing the design and development of a zuma type RPG mobile-online game namely “Zuma Hero”. The Group targets to launch such game in the first half year of 2015 and will appoint suitable operator to undertake its operations.

IT Business

During the period under review, the Group was exploring the potential business opportunity in building an education platform through developing mobile applications and computer software. On 5 March 2015, the Group entered into a cooperation agreement with 上海賽果文化傳播有限公司 (Shanghai Saiguoguo Cultural Media Limited*) (“**Shanghai Saiguoguo**”) to hold a children education activity, pursuant to which the Group is responsible for, among others, the design, development and production of the web version and mobile application of the program namely “我是小小中國通—絲路文化之旅” (I Am Little Chinese Hand – Silk Road Cultural Tour*) to be used in the activity and maintaining the system and server of the program. Through the cooperation, the Group may develop sustainable business relationship with Shanghai Saiguoguo and create commercial value for future cooperation with Shanghai Saiguoguo.

Health Check Business

The Group had offered a wide spectrum of quality healthcare services to the general public in Hong Kong through its nine health check centres and two laboratories operated by Luck Key Investment Limited ("**Luck Key**", together with its subsidiaries, "**Luck Key Group**"), which were acquired by the Group on 30 September 2013. During the period under review, revenue from the health check business amounted to approximately HK\$45,930,000 (2014: HK\$42,875,000) and profit before taxation of HK\$1,846,000 (2014: loss of HK\$2,555,000) was recorded.

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

On 31 December 2014, Luck Key entered into a sale and purchase agreement with Town Health Healthcare Services Limited, a wholly-owned subsidiary of Town Health, to acquire 70% issued share capital of Ever Full Harvest Limited ("**Ever Full**") and a shareholder's loan at the aggregate consideration of HK\$11,882,000, which was satisfied by the allotment and issue of consideration shares by Luck Key to Town Health Healthcare Services Limited. The transaction was completed on 27 February 2015 and the Group's interest in Luck Key was further reduced from approximately 90.1% to 65.0% (the "**Second Luck Key Disposal**").

Ever Full's subsidiary i.e. Hong Kong Cyclotron Laboratories Limited is principally engaged in the manufacturing of PET Radiopharmaceuticals for medical use and is the major supplier of raw materials (including 18F-FDG) for the Group's health check business. The acquisition of Ever Full by Luck Key Group allowed the supply of 18F-FDG to the Luck Key Group be assured, maintained and coordinated in a more efficient and effective manner, taking into account the demand for the products of Ever Full and its subsidiaries by other members of the Luck Key Group and as such will enhance operational efficiency of the Group's health check business.

During the period under review, the Group's health check business had turned around from loss into profit, which were mainly attributable to the 7.1% revenue growth coupled with the decrease in depreciation. In particular, the First Luck Key Disposal and the Second Luck Key Disposal have brought synergetic benefits to the Group's health check business by leveraging on the expertise of Town Health in respect of provision and management of healthcare services so as to enhance its competitiveness in the market and profitability.

Money Lending Business

Since the Group is primarily focusing its resources on investment in mobile internet cultural industry business, including but not limited to the mobile-online game business and games related integral marketing services and the mobile-online education business, there was no loan portfolio made during the period under review.

However, the Board considers the demand for money lending is increasing, and the Group will pay close attention to the market conditions so as to capture business opportunities in this segment when the Group has sufficient cash for further investment in money lending business.

Securities Investment Business

The Group's investment portfolio mainly comprises investments in listed securities. During the period under review, this segment recorded a profit of approximately HK\$5,840,000 (2014: loss of HK\$88,000) mainly attributable to the realised gain on financial assets at fair value through profit or loss.

In addition to financial assets at fair value through profit or loss, as at 31 March 2015, the Group held a total of 17,000,000 shares (approximately 6.84%) of the issued share capital of Universe International Holdings Limited, a company listed on the Main Board of the Stock Exchange (Stock code: 1046). The Group recorded an unrealised fair value loss on available-for-sale investments of approximately HK\$11,305,000 as other comprehensive loss for the period under review.

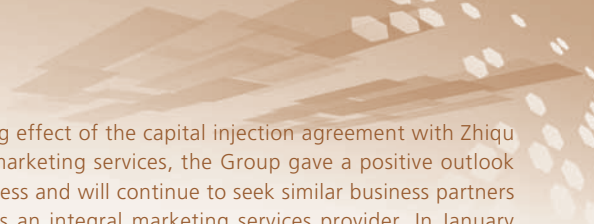
The Group will continue optimizing its investment portfolios to invest in quality listed securities so as to create value for the shareholders of the Company.

PROSPECTS

In recent years, the mobile internet market has moved towards a higher level in terms of sophistication and globalization. With the increasing popularity of various innovative portable devices, including smartphones, a change in living consumption pattern in the areas of entertainment, education and health care has been witnessed in the past few years. In the mobile-online game market, there is an increasing number of mobile game players who are willing to spend money on mobile games. Nevertheless, the mobile-online game industry is highly competitive with low barriers of entry and it is expected that more companies will enter this industry and a wider range of games will be introduced. To cater for the diverse preferences of pan-entertainment and the trend of "mobile internet+" industry, the Group has gradually expanded its focus from mobile-online games to encompass industries in the areas of cultural lifestyle of mobile internet, including mobile-games, film culture, O2O interactive entertainment, mobile-online children education and other mobile internet's cultural lifestyle related business and taken the mobile internet as part of its business development strategy.

A favorable market environment has set in motion for the rapid development in the mobile internet cultural industry business, including but not limited to the mobile-online game business and its related services offering, entertainment business and even the mobile-online education business, which will be one of the Group's business focus to realise the pan-entertainment and "mobile internet+" business strategy.

Following a series of acquisitions of an aggregate of 24% issued share capital of Mighty Eight in 2014 for an aggregate consideration of HK\$210,170,000, on 14 April 2015, the Group has agreed to acquire additional 4.8% of issued share capital of Mighty Eight at a consideration of HK\$48,393,000. Upon completion, the Group's interest in Mighty Eight will increase from 24% to 28.8%, which will increase the Group's shares in the financial results of Mighty Eight.



In the meantime, riding on the synergizing effect of the capital injection agreement with Zhiqiu in 2014 to offer games related integral marketing services, the Group gave a positive outlook to games related integral marketing business and will continue to seek similar business partners to enhance its current market position as an integral marketing services provider. In January and April 2015, the Group acquired an aggregate of 51% issued share capital of Cannes Films Cultural Investment Limited (“**Cannes Films**”), with its subsidiary principally engaged in the provision of integral advertising agency services (including but not limited to video production, event production, marketing solution, digital marketing solution, party production, performer booking, photography and website design) and film production. Upon completion of the acquisition in April 2015, Cannes Films has become a subsidiary of the Group and the financial results of Cannes Films will be consolidated into that of the Group.

Moreover, on 25 March 2015, the Group entered into a memorandum of understanding with 北京凱旋萬嘉國際文化發展有限公司 (Beijing Kai Xuan Wan Jia International Cultural Development Co., Ltd*) for the potential development of mobile internet-based O2O interactive live exhibitions in shopping malls in China.

Last but not least, on 21 April 2015, the Group entered into the a conditional sale and purchase Agreement with DX.com Holdings Limited, a company listed on the GEM of the Stock Exchange (Stock code: 8086) to acquire the entire issued share capital of EPRO (BVI) Limited (“**EPRO**”, together with its subsidiaries, “**EPRO Group**”) at a consideration of HK\$40,000,000 (subject to adjustment to not more than HK\$120,000,000) (“**EPRO Acquisition**”). EPRO is principally engaged in provision of professional information technology contract and maintenance services in China and Hong Kong and is a CMMi5 accessed information technology and software outsourcing provider that tailor-made professional IT solutions for sizable corporate clients and government departments. Its core businesses include enterprise software applications and platform development outsourcing services, mobile internet applications and platform development outsourcing services, mainframe downsizing, application localization and systems integration. The Directors consider that the EPRO Acquisition will enable the Group to develop in the mobile internet cultural industry business by bringing in the EPRO Group’s supports from technical know-how and seasoned management team in provision of tailor-made professional IT solutions and customized software development services, and may also enable the Group to provide services to the EPRO Group’s existing stable customers base, which will create synergy effect and benefit both the business of the Group and the EPRO Group. The Group also believes that the EPRO Acquisition could bring in stable income and operating cash flows to the Group.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 31 March 2015, the interests and short positions of each Director and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules, were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity	Number of ordinary shares involved	Approximate Percentage (Note 1)
Zhang Xiongfeng	Interest through controlled corporation	381,078,000 (Note 2)	15.27%

Notes:

1. This is based on the total issued shares of the Company as at 31 March 2015, i.e. 2,496,122,430 shares.
2. Being 381,078,000 shares of the Company owned by Turbo Pointer Limited, which is beneficially and wholly-owned by Mr. Zhang Xiongfeng. As such, Mr. Zhang Xiongfeng is deemed to be interested in all the 381,078,000 shares of the Company by virtue of the SFO. Mr. Zhang Xiongfeng is also the director of Turbo Pointer Limited.

(ii) Long position in the underlying shares of the Company

Name of Director	Capacity	Number of ordinary shares involved	Approximate Percentage (Note 1)
Zhang Xiongfeng	Beneficial owner	57,163,573 (Note 3)	2.29%
Zhang Peiao	Beneficial owner	38,109,049 (Note 4)	1.53%

Notes:

3. These are 57,163,573 ordinary shares of the Company to be issued upon exercise of the unlisted physically settled share options granted to Mr. Zhang Xiongfeng on 19 June 2014 pursuant to the share option scheme of the Company adopted on 10 November 2010. The vesting date of the said options is 31 December 2015 and such options can be exercised by Mr. Zhang Xiongfeng between 1 January 2016 and 30 June 2016 at the subscription price of HK\$0.14 per share of the Company.
4. These are 38,109,049 ordinary shares of the Company to be issued upon exercise of the unlisted physically settled share options granted to Mr. Zhang Peiao on 19 June 2014 pursuant to the share option scheme of the Company adopted on 10 November 2010. The vesting date of the said options is 31 December 2015 and such options can be exercised by Mr. Zhang Peiao between 1 January 2016 and 30 June 2016 at the subscription price of HK\$0.14 per share of the Company.

Save as disclosed above, as at 31 March 2015, none of the Directors or chief executives of the Company had, or was deemed to have, any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of the Company as referred to in Rules 5.48 to 5.67 of the GEM Listing Rules.

SHARE OPTION SCHEME

Under the terms of a share option scheme (the “**Scheme**”) adopted by the Company on 10 November 2010, the Board is authorised, at its absolute discretion, to grant options to eligible participants including any employee, contracted celebrity, advisor, consultant, service provider, agent, customer, partner or joint-venture partner of the Group (including any director, whether executive or non-executive and whether independent or not, of the Group) who is in full-time or part-time employment with the Group at the time when an option is granted to such employee, or any person who, in the sole discretion of the Board, have contributed or may contribute to the Group.

The purpose of the Scheme is to provide incentives and help the Group in retaining its existing employees and recruiting additional employees and to provide them with a direct economic interest in attaining the long term business objectives of the Company.

Details of the share options outstanding as at 31 March 2015 are as follows:

Grantees	Date of grant	Exercise price per share	Exercisable period	Number of share options outstanding as at 1.1.2015 and 31.3.2015
Director – Zhang Xiongfeng	19 June 2014	HK\$0.14	1 January 2016 – 30 June 2016	57,163,573
Director – Zhang Peiao	19 June 2014	HK\$0.14	1 January 2016 – 30 June 2016	38,109,049
Employee	19 June 2014	HK\$0.14	1 January 2016 – 30 June 2016	19,054,524
Others	19 June 2014	HK\$0.14	1 January 2016 – 30 June 2016	76,218,096
				190,545,242

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST

As at 31 March 2015, the following person (other than Directors or chief executive of the Company) had, or was deemed to have, interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of Shareholder	Capacity	Number of ordinary shares	Approximate Percentage (Note 1)
China New Economy Fund Limited	Beneficial owner	300,006,000	12.02%
Turbo Pointer Limited (Note 2)	Beneficial owner	381,078,000 (Note 3)	15.27%

Notes:

1. This is based on the total issued shares of the Company as at 31 March 2015, i.e. 2,496,122,430 shares of the Company.
2. Turbo Pointer Limited is wholly-owned by Mr. Zhang Xiongfeng, an executive Director. Mr. Zhang Xiongfeng is also the director of Turbo Pointer Limited.
3. Being 381,078,000 shares of the Company owned by Turbo Pointer Limited, which is beneficially and wholly-owned by Mr. Zhang Xiongfeng.

Save as disclosed above, as at 31 March 2015, there were no shareholders of the Company (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company as recorded in the register required to be kept under Section 336 of the SFO.

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

There were no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed securities during the three months ended 31 March 2015.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors nor their respective close associates had an interest in a business, apart from the businesses of the Group, which competes or may compete, either directly or indirectly, with the businesses of the Group during the period under review.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the three months ended 31 March 2015, the Company had adopted a code of conduct regarding Directors' securities transactions on terms no less exacting than the required standard of dealings as set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had also made specific enquiry of all Directors and the Company was not aware of any non-compliance with the required standard of dealings and its code of conduct regarding Directors' securities transactions during the period under review.

CODE ON CORPORATE GOVERNANCE PRACTICES

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

The Company has complied with the code provisions set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 15 of the GEM Listing Rules (the "**Code Provision**") during the three months ended 31 March 2015.

AUDIT COMMITTEE

An audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with the Rules 5.28 and 5.29 of the GEM Listing Rules and Code Provision C.3.3. The Audit Committee must consist of a minimum of three members, all of whom must be non-executive Directors, at least one of whom must have appropriate professional qualification or accounting or related financial management expertise. There are three members in the Audit Committee comprising three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing. Mr. Wong Siu Keung, Joe, is the chairman of the Audit Committee. The primary duties of the Audit Committee are mainly to review the Company's financial information, reporting process, internal control procedures, risk management system, audit plan, relationship with external auditors and to review arrangements to enable employees of the Company can use, in confidence, to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group's unaudited condensed consolidated results for the three months ended 31 March 2015 have been reviewed by the Audit Committee, which is of the opinion that the preparation of such results complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

* *English translated name is for identification only*

By the order of the Board

China Mobile Games and Cultural Investment Limited

Zhang Peiao

Executive Director

11 May 2015

As at the date of this report, the Board comprises (i) three executive Directors, namely Mr. Zhang Xiongfeng, Mr. Zhang Peiao, and Mr. Hung Kenneth, and (ii) three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Mr. Wong Ching Yip and Mr. Luk Chi Shing.