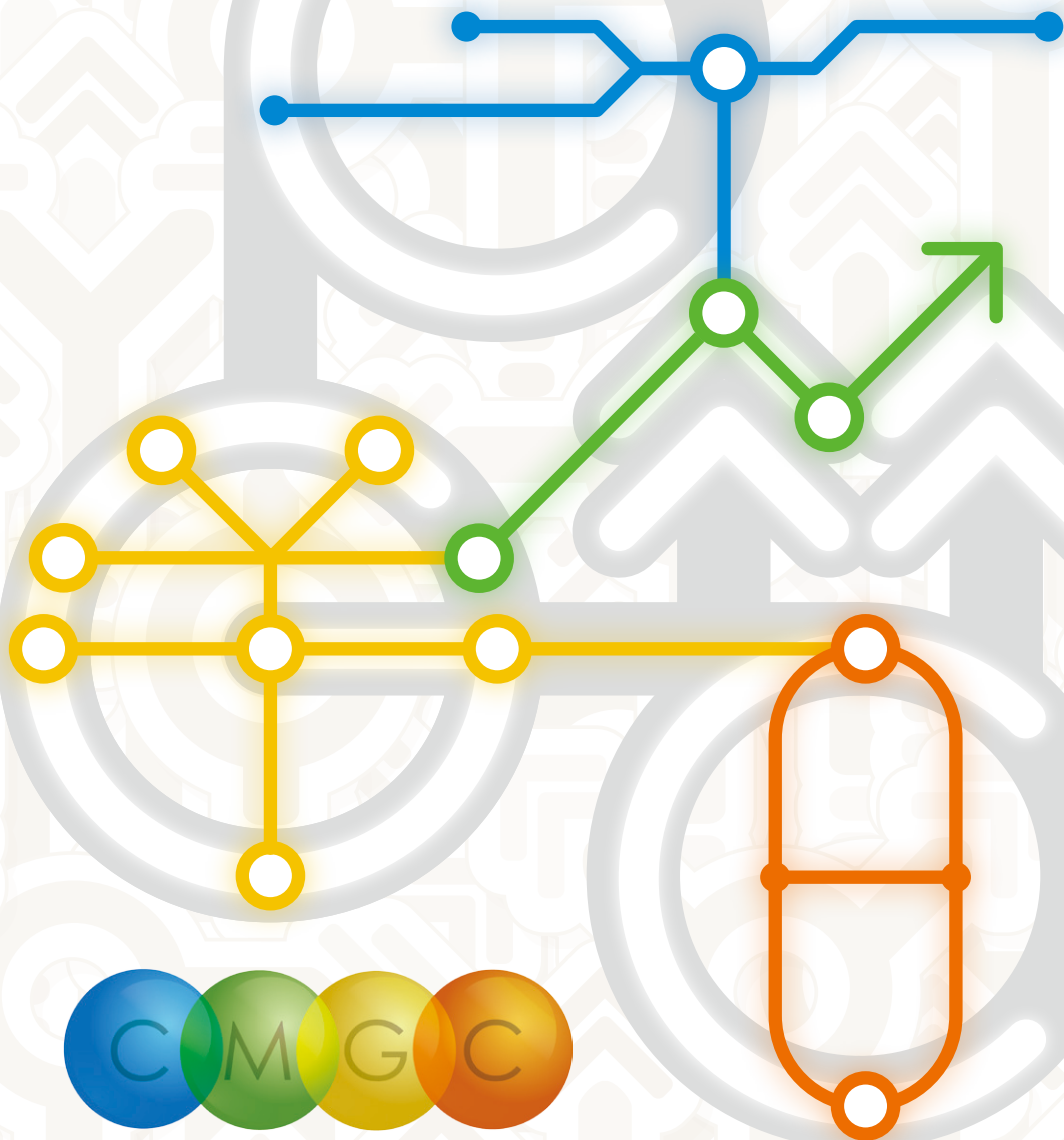


Third  
Quarterly  
Report

2015



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)

## CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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

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

## THIRD QUARTERLY RESULTS

The board of Directors (the “**Board**”) of the Company announces the unaudited condensed consolidated results of the Company and its subsidiaries (together the “**Group**”) for the nine months and three months ended 30 September 2015 (the “**Results**”), together with the unaudited comparative figures for the corresponding period of 2014 as follows:

### UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months and three months ended 30 September 2015

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Revenue	2	411,887	150,489	166,870	59,380
Cost of inventories sold/services		(251,351)	(30,076)	(110,358)	(15,749)
Other gains and losses	3	(10,715)	97	(22,635)	(141)
Other revenue and income		2,863	1,351	1,955	186
Employee benefits expenses		(86,709)	(74,845)	(30,610)	(26,255)
Depreciation		(14,748)	(19,224)	(5,156)	(4,225)
Other operating expenses		(48,123)	(37,011)	(19,083)	(11,768)
Gain on a bargain purchase of a subsidiary	8	32,783	-	32,783	-
Share of results of associates		18,953	2,058	13,509	1,592
Finance costs		(3,399)	(1,498)	(1,146)	(802)
Profit (loss) before income tax		51,441	(8,659)	26,129	2,218
Income tax expense	4	(6,741)	(216)	(1,656)	(133)
Profit (loss) for the period		44,700	(8,875)	24,473	2,085
<b>Other comprehensive loss</b> <b>Items that may be classified</b> <b>subsequently to profit or loss:</b>					
Exchange differences arising on translation of:					
- Financial statements of overseas subsidiaries		(1,567)	6	(1,717)	1
- Financial statements of overseas associates		(900)	-	(1,071)	-
Fair value loss on available-for- sale investments		(7,917)	(23,290)	(5,325)	(1,700)
Other comprehensive loss for the period		(10,384)	(23,284)	(8,113)	(1,699)
<b>Total comprehensive income</b> <b>(loss) for the period</b>		34,316	(32,159)	16,360	386

	Notes	Nine months ended 30 September		Three months ended 30 September	
		2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Profit (loss) for the period attributable to:</b>					
Shareholders of the Company		30,751	(9,210)	19,680	1,553
Non-controlling interests		13,949	335	4,793	532
		<b>44,700</b>	<b>(8,875)</b>	<b>24,473</b>	<b>2,085</b>
<b>Total comprehensive income (loss) attributable to:</b>					
Shareholders of the Company		21,158	(32,495)	12,427	(147)
Non-controlling interests		13,158	336	3,933	533
		<b>34,316</b>	<b>(32,159)</b>	<b>16,360</b>	<b>386</b>
Basic earnings (loss) per share (HK cents)	6	0.96	(0.57)	0.46	0.07
Diluted earnings (loss) per share (HK cents)	6	0.96	(0.57)	0.46	0.07

*Notes to the unaudited condensed consolidated 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 carried at fair values. The principal accounting policies used in the preparation of the 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 the 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. An analysis of the Group's revenue is as follows:

	Nine months ended 30 September		Three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Income from provision of integral marketing services	249,838	9,250	101,276	9,250
Income from provision of medical diagnostic and health check services	149,130	138,359	52,675	49,139
Income from provision of IT services	12,895	2,749	12,895	991
Loans interest income	24	131	24	-
	<b>411,887</b>	<b>150,489</b>	<b>166,870</b>	<b>59,380</b>

3. OTHER GAINS AND LOSSES

	Nine months ended 30 September		Three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Realised loss on financial assets at fair value through profit or loss	(6,811)	(94)	(18,731)	-
Unrealised loss on financial assets at fair value through profit or loss	(3,900)	(98)	(3,900)	(98)
Gain on disposal of subsidiaries	-	1,084	-	752
Loss on disposal of plant and equipment	(4)	(795)	(4)	(795)
	<b>(10,715)</b>	<b>97</b>	<b>(22,635)</b>	<b>(141)</b>

## 4. INCOME TAX EXPENSE

	Nine months ended 30 September		Three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
Current tax:				
– Hong Kong Profits Tax	587	153	84	70
– People's Republic of China ("PRC") Enterprise Income Tax	6,154	73	1,572	73
	<b>6,741</b>	226	<b>1,656</b>	143
Overprovision in prior years:				
– Hong Kong Profits Tax	–	(10)	–	(10)
	<b>6,741</b>	216	<b>1,656</b>	133

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. The Group's subsidiaries operating in the PRC were subject to the tax rate at 25% for both periods, except for a subsidiary, Shanghai EPRO Software Company Limited, which has been recognised as a high-tech enterprise in 2015 pursuant to relevant laws and regulations in the PRC and is entitled to the preferential tax rate of 15% for a period of three years from 2014 to 2016.

## 5. INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the nine months ended 30 September 2015 (2014: Nil).

## 6. EARNINGS (LOSS) PER SHARE

The basic and diluted earnings (loss) per share are calculated by dividing the profit (loss) for the period attributable to shareholders of the Company by the weighted average number of ordinary shares in issue.

	Nine months ended 30 September		Three months ended 30 September	
	2015 HK\$'000	2014 HK\$'000	2015 HK\$'000	2014 HK\$'000
<b>Earnings (loss)</b>				
Profit (loss) for the period attributable to shareholders of the Company	30,751	(9,210)	19,680	1,553
	Nine months ended 30 September		Three months ended 30 September	
	2015	2014	2015	2014
<b>Number of shares</b>				
Weighted average number of ordinary shares in issue for the purpose of calculation of basic earnings (loss) per share	3,191,384,166	1,609,269,780	4,315,259,756	2,119,601,365
Effect of diluted potential ordinary shares as a result of the share options granted	9,116,708	–	–	–
Weighted average number of ordinary shares in issue for the purpose of calculation of diluted earnings (loss) per share	3,200,500,874	1,609,269,780	4,315,259,756	2,119,601,365

The computation of diluted earnings (loss) per share for the three months ended 30 September 2015, nine months and three months ended 30 September 2014 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 (loss) per share.

## 7. UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 30 September 2015

	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/retained earnings	Total	Non-Controlling Interests	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK'000	HK\$'000	HK'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2014 (audited)	93,086	143,717	-	-	-	-	-	(74,892)	161,911	831	162,742
Loss for the period	-	-	-	-	-	-	-	(9,210)	(9,210)	335	(8,875)
Other comprehensive loss for the period	-	-	-	-	5	-	(23,290)	-	(23,285)	1	(23,284)
Total comprehensive loss for the period	-	-	-	-	5	-	(23,290)	(9,210)	(32,495)	336	(32,159)
Shares issued	103,366	88,157	-	-	-	-	-	-	191,523	-	191,523
Share issuing expenses	-	(5,766)	-	-	-	-	-	-	(5,766)	-	(5,766)
Capital reduction	(171,491)	-	81,470	-	-	-	-	90,021	-	-	-
Share-based payments	-	-	-	2,558	-	-	-	-	-	2,558	2,558
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	592	592
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(120)	(120)
Capital contribution from a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	-	-	2,700	2,700
At 30 September 2014 (unaudited)	24,961	226,108	81,470	2,558	5	-	(23,290)	5,919	317,731	4,339	322,070
At 1 January 2015 (audited)	24,961	226,016	81,470	4,844	(156)	(63)	-	(11,060)	326,012	5,669	331,681
Profit for the period	-	-	-	-	-	-	-	30,751	30,751	13,949	44,700
Other comprehensive loss for the period	-	-	-	-	(1,676)	-	(7,917)	-	(9,593)	(791)	(10,384)
Total comprehensive income for the period	-	-	-	-	(1,676)	-	(7,917)	30,751	21,158	13,158	34,316
Shares issued	32,050	337,744	-	-	-	-	-	-	369,794	-	369,794
Share issuing expenses	-	(13,857)	-	-	-	-	-	-	(13,857)	-	(13,857)
Share-based payments	-	-	-	8,182	-	-	-	-	-	8,182	8,182
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	-	241	241
Change in ownership in a subsidiary that does not result in a loss of control	-	-	-	-	-	(1,110)	-	-	(1,110)	12,841	11,731
Dividends declared to non-controlling shareholders	-	-	-	-	-	-	-	-	-	(120)	(120)
At 30 September 2015 (unaudited)	57,011	549,903	81,470	13,026	(1,832)	(1,173)	(7,917)	19,691	710,179	31,789	741,968

## 8. ACQUISITION OF A SUBSIDIARY

For the three months ended 30 September 2015

On 31 August 2015, the Company completed the acquisition of the entire equity interest in EPRO (BVI) Limited (“**EPRO**”, together with its subsidiaries, “**EPRO Group**”) from DX.com Holdings Limited (the “**EPRO Acquisition**”). Pursuant to the audited consolidated financial statements of EPRO for the year ended 30 June 2015, the final cash consideration of the EPRO Acquisition was adjusted to HK\$60,264,000. EPRO Group is principally engaged in provision of professional information technology contract and maintenance services in the PRC and Hong Kong.



## Assets and liabilities attributable recognised at the date of acquisition:

	HK\$'000
Property, plant and equipment	3,037
Debtors, deposits and prepayments	116,619
Cash and bank balances	16,608
Creditors, accruals and other payables	(35,290)
Short-term borrowings	(2,727)
Income tax payable	(92)
Deferred tax liabilities	(4,182)
	93,973
Non-controlling interests	(926)
	93,047

## Gain on a bargain purchase arising on acquisition:

	HK\$'000
Consideration transferred	60,264
Less: fair value of identifiable net assets acquired	(93,047)
	(32,783)

## 9. EVENTS AFTER REPORTING PERIOD

- (a) On 30 September 2015, the Company entered into a placing agreement with Convoy Securities Limited (the "Placing Agent") pursuant to which the Company has agreed to place through the Placing Agent, on a best endeavour basis, up to 1,140,210,000 placing shares, to not less than six places who and whose ultimate beneficial owners are independent third parties at a price of HK\$0.045 per placing share (the "Placing"). Completion of the Placing took place on 15 October 2015. The net proceeds from the Placing were approximately HK\$49,300,000. Details of the Placing are set out in the announcements of the Company dated 30 September 2015 and 15 October 2015.
- (b) On 13 October 2015, the Company issued unsecured loan notes carrying interest rate of 9% per annum (the "Notes") in an aggregate principal amount of HK\$150,000,000 maturing on the first anniversary of the issue date of the Notes at the placing price equal to 100% of the principal amount of the Notes to an independent third party. The effective interest rate of the Notes is 9% per annum.
- (c) On 28 October 2015, the Group entered into certain preliminary sale and purchase agreements with independent third parties in respect of the purchase of certain investment properties at an aggregate consideration of HK\$82,296,000. The acquisitions are expected to be completed on or before 31 May 2016 and details of the acquisitions are set out in the announcement of the Company dated 28 October 2015.

- (d) On 30 September 2015, the Company announced that it proposes to change the domicile of the Company from the Cayman Islands to Bermuda by way of deregistration in the Cayman Islands and continuation as an exempted company under the laws of Bermuda. The implementation of the change of domicile will not affect the continuity of the Company and its listing status.

In addition, the Company proposes to cancel the entire amount standing to the credit of the share premium account of the Company and to transfer the credits arising from such cancellation to an existing account of the Company designated as the contributed surplus account of the Company before the change of domicile as aforementioned.

Besides, the Company proposes to implement the capital reorganisation after the change of domicile becoming effective that (i) every 10 issued and unissued existing shares of the Company of HK\$0.01 each will be consolidated into 1 consolidated share of the Company ("**Consolidated Share**") of HK\$0.10 each (the "**Share Consolidation**"); (ii) the issued share capital of the Company will be reduced through a cancellation of the paid-up capital of the Company to the extent of HK\$0.09 on each of the issued Consolidated Shares such that the nominal value of each issued Consolidated Share will be reduced from HK\$0.10 to HK\$0.01 (the "**Capital Reduction**"); (iii) immediately following the Capital Reduction, each authorised but unissued Consolidated Shares of HK\$0.10 each will be sub-divided into 10 new shares of HK\$0.01 each; and (iv) the credits arising in the books of the Company from the cancellation of any fraction in the issued share capital of the Company which may arise from the Share Consolidation, and the Capital Reduction will be credited to the contributed surplus account of the Company within the meaning of the Companies Act 1981 of Bermuda.

Details of the above are set out in the announcement of the Company dated 30 September 2015 and the circular of the Company dated 23 October 2015.

- (e) On 11 November 2015, the Group entered into certain contracts of sale of real estate in relation to the acquisition of certain land and buildings in Australia and certain contracts of sale and purchase in relation to the acquisition of hospitality businesses and related assets for operation at an aggregate consideration of AUD17,000,000 (equivalent to approximately HK\$93,296,000). Details of these acquisitions are set out in the announcement of the Company dated 11 November 2015.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Business and Financial Review

During the nine months ended 30 September 2015, the Group was principally engaged in (i) mobile internet cultural business and provision of IT services; (ii) provision of integral marketing 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\$411,887,000 (2014: HK\$150,489,000), representing an increase of approximately 174% as compared to the corresponding period in 2014. The Group recorded a net profit of approximately HK\$30,751,000 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 for the corresponding period in 2014 of approximately HK\$9,210,000, mainly attributable to (a) the increase in net profit from the Group's business of provision of integrated digital marketing services by 上海智趣廣告有限公司 (Shanghai Zhiqu Advertisement Co., Ltd.\*) ("**Zhiqu**"), which became a subsidiary of the Company in September 2014; (b) the increase in share of profits of Mighty Eight Investments Limited ("**Mighty Eight**"), which became an associate of the Company in September 2014; (c) the increase in net profit recorded by the Group's health check business for the nine months ended 30 September 2015 as compared to the corresponding period in 2014; and (d) the gain on bargain purchase for the acquisition of the entire issued share capital of EPRO (BVI) Limited ("**EPRO**", together with its subsidiaries, "**EPRO Group**") which was completed on 31 August 2015.

The Group recorded a total comprehensive profit attributable to the shareholders of the Company of approximately HK\$21,158,000 for the period under review as compared to the total comprehensive loss attributable to the shareholders of the Company in the corresponding period in 2014 of approximately HK\$32,495,000, mainly attributable to the reasons mentioned above and the decrease in fair value loss on available-for-sale investments from approximately HK\$23,290,000 for the nine months ended 30 September 2014 to approximately HK\$7,917,000 for the nine months ended 30 September 2015.

### Mobile Internet Cultural Business and Provision of IT Services

To realise the Group's pan-entertainment strategy 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.

#### 1. "Mobile internet +" and IT business – development of education platform

The Group aims to explore the "mobile internet+" industry and one of the current focus areas is developing and building an online children education platform. 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 Saiguo Cultural Media Limited\*) to undertake a knowledge quizzes

\* English translated name is for identification only

competition among the students in China, 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” (I Am Little Chinese Hand\*) to be used in the activity and maintaining the system and server of the program, together with online to offline coordination in the activity. Such program has already been launched on the web and mobile system “Android” in May 2015 and “iOS” platform in July 2015.

To bring supports to the Group to implement its “mobile internet+” business strategy, the Group acquired the entire issued share capital of EPRO on 31 August 2015 at a total consideration of HK\$60,264,000 (the “**EPRO Acquisition**”). A gain on bargain purchase for the EPRO Acquisition of approximately HK\$32,783,000 was recorded by the Company. EPRO became a wholly-owned subsidiary of the Company since then.

EPRO Group is principally engaged in provision of professional information technology contract and maintenance services in the PRC 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 localisation and systems integration.

It is expected that the EPRO Acquisition will enable the Group to acquire a greater technical support in replenishing the Group’s overall strength in research and development of internet technology platform to develop the mobile internet cultural industry business, by bringing in EPRO Group’s supports on technical know-how and seasoned management team in provision of tailor-made professional IT solutions and customised software development services in the PRC. The Directors are reviewing the operations of EPRO Group to formulate a long term development plan.

## 2. *Mobile-online game business*

In 2014 and 2015, the Group acquired an aggregate of 28.8% issued share capital of Mighty Eight. Since September 2014, Mighty Eight became an associate of the Company. During the period under review, there was an increase in share of profits of Mighty Eight from approximately HK\$1,061,000 for the nine months ended 30 September 2014 to approximately HK\$17,412,000 for the nine months ended 2015.

Mighty Eight is a group principally engaged in design, development, marketing and distribution and operation of mobile-online games. Mighty Eight has been successful in designing and developing 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).

\* *English translated name is for identification only*

During the period under review, Mighty Eight developed and launched another new mobile-online game, namely “NBA Heroes”(NBA英雄, also known as 美職籃英雄), integrating traditional Chinese historical themes and elements from “SanGuo” to modern western style NBA basketball sports game, with intellectual property rights officially licensed by the NBA (National Basketball Association). NBA Heroes had been awarded the “Most Anticipated Sports Game of the Year” in the Second International Mobile Game Forum in 2014. According to iResearch Report, for the days from 7 February 2015 to 30 September 2015, NBA Heroes ranked among top 5 downloaded sports games for 73.7% of the days and top 10 sports games in terms of gross billing for 64% of the days respectively on the App Store in the PRC. NBA Heroes has accumulated approximately 2.1 million registered players as of 31 August 2015.

In August 2015, Mighty Eight also published or jointly published with third parties and provided marketing and promotion services for three new games, namely “Clash of Lords”(王城爭霸), “Real Fantasy Online”(仙境物語) and “Castle’s Blood”(沙城爭霸), all of which are RPG games based on different themes and storylines and were licensed from third parties. Mighty Eight plans to launch eight new mobile games in the fourth quarter of 2015 and the first half of 2016 featuring categories ranging from causal, strategy to action tower-defense.

The board of directors of Mighty Eight has proposed to seek for listing of the shares of Something Big Technology Holdings Limited, being the proposed 100% holding company of Mighty Eight, on the Main Board of the Stock Exchange and an application was submitted to the Stock Exchange on 30 June 2015, reference of which can be made to the announcement of the Company dated 3 July 2015.

## **Provision of Integral Marketing Services**

During the period under review, a segment profit of approximately HK\$25,088,000 (2014: HK\$292,000) was recorded for the Group, which was mainly attributable to the provision of integrated digital marketing services by Zhiqu.

### *1. Integrated digital marketing services*

The Group has started to provide integrated digital marketing services since September 2014. During the period under review, revenue generated from the provision of integrated digital marketing services amounted to approximately HK\$242,519,000 (2014: HK\$9,250,000), which accounted for approximately 59% (2014: 6%) of the Group’s revenue. Under the development of gaming market in the PRC, 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 allows Zhiqu to establish a stable relationship with its customers. The Board is optimistic about the business opportunities and potential from the provision of integrated digital marketing services and is considering the feasibility of the proposed spinoff and separate listing of group companies in this segment, further details of which are set out in the announcement of the Company dated 23 September 2015.

## 2. Acquisition of Cannes Films

In January and April 2015, the Group acquired an aggregate 51% of the issued share capital of Cannes Films Cultural Investment Limited (“**Cannes Films**”, together with its subsidiaries, “**Cannes Films Group**”). The major subsidiary of Cannes Films, Banana Limited, is principally engaged in the provision of integral advertising agency services and film production. Banana Limited currently is also an affiliated member of the Association of Accredited Advertising Agencies of Hong Kong (HK4As). Upon completion of the acquisition in April 2015, Cannes Films has become a subsidiary of the Group. During the period under review, the contribution from Cannes Films Group to the results of the Group was not significant.

### Health Check Business

The Group had offered a wide spectrum of quality healthcare services to the general public in Hong Kong through the nine health check centres, two testing laboratories and a laboratory for manufacturing of PET Radiopharmaceuticals operated by Luck Key Investments Limited (“**Luck Key**” and its subsidiaries, “**Luck Key Group**”). During the period under review, revenue from the health check business amounted to approximately HK\$149,130,000 (2014: HK\$138,359,000), representing approximately 7.8% growth from the corresponding period in 2014, and a segment profit of approximately HK\$10,708,000 (2014: HK\$2,658,000) was recorded.

On 27 February 2015, Luck Key acquired 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. The Group’s interest in Luck Key has reduced from approximately 90.1% to approximately 65.0% since then.

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) of Luck Key Group. The acquisition of Ever Full by Luck Key Group allowed the supply of 18F-FDG to 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 Luck Key Group and as such will enhance operational efficiency of the Group’s health check business.

### Money Lending Business

The Group’s loan portfolios comprised of unsecured loans granted to individual customers with average interest rate at 11% per annum. During the period under review, the Group recorded interest income of approximately HK\$24,000 (2014: HK\$131,000) from this segment. The credit terms of the outstanding loan were about 6 months. The Group has been paying close attention to the market conditions to capture business opportunities in the money lending business segment and will expand the business to diversify the income source of the Group and generate steady returns.

## Securities Investments Business

The Group's investment portfolio mainly comprises investments in listed securities. During the period under review, the segment loss amounted to approximately HK\$17,828,000 (2014: HK\$222,000), mainly attributable to the trading of financial assets at fair value through profit or loss.

In addition to financial assets at fair value through profit or loss, the Group recorded an unrealised fair value loss on available-for-sale investments of approximately HK\$7,917,000 (2014: HK\$23,290,000) as other comprehensive loss for the period under review.

The Group will continue optimising 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-online game market has moved towards a higher level in terms of sophistication and globalisation. 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 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. To better reflect and emphasise the direction of the development of the Group in the mobile internet entertainment and cultural business, the Group proposes to change its English name to "Interactive Entertainment China Cultural Technology Investments Limited".

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, the Group has further acquired additional 4.8% of issued share capital of Mighty Eight in May 2015. Upon completion of such additional acquisition, the Group's interest in Mighty Eight increased from 24% to 28.8%, which has increased the Group's shares in the financial results of Mighty Eight. The board of directors of Mighty Eight has proposed to seek for listing of the shares of Something Big Technology Holdings Limited, being the proposed 100% holding company of Mighty Eight, on the Main Board of the Stock Exchange and an application was submitted to the Stock Exchange on 30 June 2015.

The Group believes that having a strong development and operation team will be one of the key success factors to the development of mobile internet cultural industry business. The completion of the EPRO Acquisition brings supports to the Group in replenishing the Group's overall strength in research and development of internet technology platform. Given that EPRO Group has established proprietary software development and operation infrastructure and is experienced in providing professional tailor-made information technology services to sizeable corporate clients and government departments to address their needs, the Group expects that EPRO Group will provide requisite support to implement its business strategy.

In order to diversify the Group's business, the Group entered into certain sale and purchase agreements to acquire certain investment properties in Hong Kong as well as certain land and buildings and their related hospitality business in Australia. It is expected that these acquisitions will bring new income to the Group and generate steady revenue after completion.

The Group will continue to pay close attention to the market environment so as to identify and capture different investment or business opportunities including but not limited to mobile games, interactive entertainment, mobile internet, education and training, cultural-related business, advertisement and marketing, medical and healthcare related business, properties and other business sectors with growth potentials to further diversify its businesses and broaden its income streams to maximise return to its shareholders.



## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SECURITIES

As at 30 September 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 Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) ("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)	6.68%

Notes:

1. This is based on the total issued shares of the Company as at 30 September 2015, i.e. 5,701,130,430 shares.
2. Being interest in ordinary shares of the Company ("Shares") held by Turbo Pointer Limited, which is beneficially and wholly-owned by Mr. Zhang Xiongfeng. As such, Mr. Zhang is deemed to be interested in all the 381,078,000 Shares by virtue of the SFO. Mr. Zhang 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	283,910,289 (Note 3)	4.98%
Zhang Peiao	Beneficial owner	64,785,133 (Note 4)	1.14%

Notes:

3. These are (i) 57,163,573 Shares 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 ("**Share Option Scheme**") with the vesting date of the said options on 31 December 2015 and can be exercised by Mr. Zhang between 1 January 2016 and 30 June 2016 at the subscription price of HK\$0.14 per Share; and (ii) 226,746,716 Shares to be issued upon exercise of the unlisted physically settled share options conditionally granted to Mr. Zhang on 22 June 2015 pursuant to the Share Option Scheme, with the vesting date of the said options on 30 June 2016 and can be exercised by Mr. Zhang between 1 July 2016 and 31 December 2016 at the subscription price of HK\$0.211 per Share, and such options are approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 24 August 2015.
4. These are (i) 38,109,049 Shares 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 with the vesting date of the said options on 31 December 2015 and 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; and (ii) 26,676,084 Shares to be issued upon exercise of the unlisted physically settled share options granted to Mr. Zhang Peiao on 22 June 2015 pursuant to the Share Option Scheme, with the vesting date of the said options on 30 June 2016 and can be exercised by Mr. Zhang Peiao between 1 July 2016 and 31 December 2016 at the subscription price of HK\$0.211 per Share.

Save as disclosed above, as at 30 September 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 the Share Option Scheme, 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 Share Option 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 economics interest in attaining the long term business objectives of the Company.

Details of the share options granted under the Share Option Scheme and outstanding during the period under review are as follows:

Grantees	Date of grant	Vesting date	Exercise price per Share	Exercisable period	Outstanding as at 1 January 2015	Granted during the period	Outstanding as at 30 September 2015
Director – Zhang Xiongfeng	19 June 2014	31 December 2015	HK\$0.14	1 January 2016 – 30 June 2016	57,163,573	–	57,163,573
	22 June 2015	30 June 2016	HK\$0.211	1 July 2016 – 31 December 2016	–	226,746,716 (Note)	226,746,716
Director – Zhang Peiao	19 June 2014	31 December 2015	HK\$0.14	1 January 2016 – 30 June 2016	38,109,049	–	38,109,049
	22 June 2015	30 June 2016	HK\$0.211	1 July 2016 – 31 December 2016	–	26,676,084	26,676,084
Employee	19 June 2014	31 December 2015	HK\$0.14	1 January 2016 – 30 June 2016	19,054,524	–	19,054,524
	22 June 2015	30 June 2016	HK\$0.211	1 July 2016 – 31 December 2016	–	13,338,042	13,338,042
Others	19 June 2014	31 December 2015	HK\$0.14	1 January 2016 – 30 June 2016	76,218,096	–	76,218,096
					190,545,242	266,760,842	457,306,084

No share options were exercised, cancelled or lapsed during the nine months ended 30 September 2015.

Note:

On 22 June 2015, share options entitling the holders thereof to subscribe for an aggregate of 226,746,716 Shares were conditionally granted to Mr. Zhang Xiongfeng. The grant of such options are approved by the shareholders of the Company at the extraordinary general meeting of the Company held on 24 August 2015 in accordance with the Note to Rule 23.03(4) and Rule 23.04(1) of the GEM Listing Rules, further details of which are set out in the circular of the Company dated 6 August 2015.

## SUBSTANTIAL SHAREHOLDER'S AND OTHER PERSON'S INTEREST

As at 30 September 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:

<b>Name of Shareholder</b>	<b>Capacity</b>	<b>Number of ordinary shares</b>	<b>Approximate Percentage (Note 1)</b>
Turbo Pointer Limited	Beneficial owner	381,078,000 (Note 2)	6.68%

Notes:

1. This is based on the total issued shares of the Company as at 30 September 2015, i.e. 5,701,130,430 shares.
2. Being interest in Shares held by Turbo Pointer Limited, which is beneficially and wholly-owned by Mr. Zhang Xiongfeng. As such, Mr. Zhang is deemed to be interested in all 381,078,000 Shares by virtue of the SFO. Mr. Zhang is also the director of Turbo Pointer Limited.

Save as disclosed above, as at 30 September 2015, there were no shareholders of the Company or other persons (other than Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares, which would fall to be disclosed to the Company 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 nine months ended 30 September 2015.

## COMPETING INTERESTS

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

## CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

During the nine months ended 30 September 2015, the Company has 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 to the GEM Listing Rules (“**Code Provision**”) during the nine months ended 30 September 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. Currently, there are three members in the Audit Committee comprising three independent non-executive Directors, namely Mr. Wong Siu Keung, Joe, Ms. Wu Qimin and Mr. Wong Ching Yip. 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 nine months ended 30 September 2015 have been reviewed by the Audit Committee, which is of the opinion that the preparation of such results and report complied with the applicable accounting standards, the GEM Listing Rules and that adequate disclosure have been made.

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

13 November 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, Ms. Wu Qimin and Mr. Wong Ching Yip.*