THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in 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 China Packaging Holdings Development Limited, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

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

China Packaging Holdings Development Limited
中 華 包 裝 控 股 發 展 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1439)

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN CABLE KING LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial Adviser to the Company

浦銀國際
SPDB INTERNATIONAL

A notice convening an extraordinary general meeting (the "**EGM**") of China Packaging Holdings Development Limited (the "**Company**") to be held at Seminar Room, Level 3, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong on 15 March 2016 at 2:00 p.m. or any adjournment thereof is set forth in pages EGM-1 to EGM-2 of this circular.

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

29 February 2016

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

"Acquisition"	the proposed acquisition of the Sale Share by the Company from the Seller, pursuant to the Share Purchase Agreement
"Announcement"	the announcement made by the Company on 17 November 2015 in respect of, among other things, the Acquisition
"Board"	the board of Directors
"Business Day"	a day (other than Saturday, Sunday and public holiday) when normal commercial banks in Hong Kong are opened for general banking business
"BVI"	British Virgin Islands
"Company"	China Packaging Holdings Development Limited (中華包裝控股發展有限公司), a company incorporated in the Cayman Islands with limited liability whose shares are listed on the Stock Exchange
"Completion"	completion of the Share Purchase Agreement
"Completion Date"	the date of Completion
"Condition(s)"	the condition(s) precedent set out in the Share Purchase Agreement (as supplemented by the Supplemental Agreement)
"Consideration"	the initial consideration of HK$440,000,000 for the Sale Share payable by the Company under the Share Purchase Agreement
"Consideration Shares"	314,285,714 Shares to be issued and allotted by the Company pursuant to the Specific Mandate
"Director(s)"	director(s) of the Company
"Draft Law"	the draft law on foreign investment published by the MOFCOM on 19 January 2015

"EGM"	the extraordinary general meeting to be convened and held by the Company on 15 March 2016 to consider and, if thought fit, among other, approve (i) the Share Purchase Agreement (as supplemented by the Supplemental Agreement); and (ii) the Specific Mandate
"Enlarged Group"	the Group as enlarged by the Acquisition
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Company"	Wealthy Top (China) Limited, a company incorporated in Hong Kong with limited liability, the entire issued share capital of which are held by the Target Company
"independent third party(ies)"	individual(s) or company(ies) who is not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
"Independent Valuer"	Greater China Appraisal Limited
"Latest Practicable Date"	25 February 2016, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"MOFCOM"	the Ministry of Commerce of the PRC（中華人民共和國商務部）
"Mr. Sun"	Mr. Sun Shao Hua, an executive Director
"Ms. Zheng"	Ms. Zheng Xue Xia, the spouse of Mr. Sun
"Novel Blaze"	Novel Blaze Limited, a limited company incorporated under the laws of BVI, the entire issued share capital of which is held by Mr. Sun as at the Latest Practicable Date

"PRC"	the People's Republic of China, which shall, for the purposes of this circular, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"PRC Equity Owner"	the holder of the entire equity interests of VIE Company, namely Mr. Huang Jianqiang (黃建強)
"PRC Legal Adviser"	Jingtian & Gongcheng, the legal adviser to the Company as to the laws of the PRC
"Promissory Note"	the promissory note in the principal amount of HK$200,000,000 to be issued by the Company to the Seller in satisfaction of part of the Consideration
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Share"	the entire issued share capital of the Target Company
"Seller"	Mr. Peng Dongmiao, an independent third party
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
"Share Purchase Agreement"	the agreement dated 17 November 2015 entered into between the Company and the Seller in relation to the Acquisition (as supplemented by the Supplemental Agreement)
"Shareholder(s)"	holder(s) of the Share(s)
"Share(s)"	ordinary share(s) of HK$0.01 each in the share capital of the Company
"Specific Mandate"	the specific mandate proposed to be granted to the Directors to allot and issue the Consideration Shares at the EGM
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Supplemental Agreement"	the supplemental agreement to the Share Purchase Agreement dated 26 February 2016 entered into between the Company and the Seller
"Takeovers Code"	the Code on Takeovers and Mergers

"Target Company"	Cable King Limited, a company incorporated in BVI with limited liability, which is owned as to 100% by the Seller as at the Latest Practicable Date
"Target Group"	the Target Company, the Hong Kong Company, the WFOE and the VIE Company to be controlled by the WFOE through the VIE Contracts
"VIE Contracts"	collectively, the Business Cooperation Agreement*（業務合作協議）, Exclusive Technological Support and Management Consulting Service Agreement*（獨家技術支持及管理諮詢服務協議）; Shareholders' Voting Right Entrustment Agreement*（公司股東權利委托協議）; Power of Attorney*（授權委托書）; Confirmation of Spouse*（配偶確認函）; Exclusive Option Agreement*（獨家購買權協議）; and Equity Pledge Agreement*（股權質押協議）which are expected to be entered by the WFOE on or before 29 February 2016
"VIE Company"	Binghe (Xiamen) Information Technology Company limited*（冰河(廈門)信息技術有限公司）, a limited liability company established in the PRC, the entire equity interest of which is held by the PRC Equity Owner
"WFOE"	Chunxin (Xiamen) Investment Management Company Limited*（純新(廈門)投資管理有限公司）, a wholly foreign owned enterprise established in the PRC with limited liability on 12 February 2016, and the equity interest of which is held by the Hong Kong Company
"%"	per cent

* *For identification purpose only*

China Packaging Holdings Development Limited
中華包裝控股發展有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1439)

Executive Directors:
Mr. Chen Wei Wei *(Chairman)*
Mr. Sun Shao Hua
Ms. Hu Li Yu

Independent Non-Executive Directors:
Mr. Liu Da Jin
Mr. Ma Yiu Ho, Peter
Mr. Wu Ping

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

Head office and principal place of business in the PRC:
Hong Sheng Industrial Park
Fengxin Industrial Zone
Yichun City, Jiangxi Province
The PRC

Principal place of business in Hong Kong:
Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhart Road
Wanchai
Hong Kong

29 February 2016

To the Shareholders

Dear Sir or Madam,

(1) MAJOR TRANSACTION IN RELATION TO THE ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL IN CABLE KING LIMITED AND ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE AND (2) NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement.

On 17 November 2015, the Company entered into the Share Purchase Agreement with the Seller, pursuant to which the Company conditionally agreed to acquire and the Seller conditionally agreed to sell the Sale Share at the Consideration of HK$440,000,000 subject to adjustment as detailed in the section headed "The Acquisition – Adjustment to Consideration" in this circular. The Consideration shall be satisfied (i) as to HK$20,000,000 in cash; (ii) as to HK$220,000,000 by issuance of Consideration Shares; and (iii) as to HK$200,000,000 by issuance of Promissory Note.

On 26 February 2016, the Company and the Seller entered into the Supplemental Agreement, pursuant to which, among others, the parties agreed that the completion of the transfer of the entire share capital in Novel Blaze held by Mr. Sun to his wife Ms. Zheng would become one of the Conditions of the Acquisition such that upon Completion, the VIE Company would be controlled by PRC nationals as defined in the Draft Law. The Securities and Futures Commission has granted a waiver to waive the obligation on the part of Ms. Zheng to make a general offer under Rule 26 of the Takeovers Code as a result of the transfer of the Shares from Mr. Sun to Ms. Zheng.

The purpose of this circular is to provide the Shareholders with, among other things, (1) details of the Target Group and the Share Purchase Agreement (as supplemented by the Supplemental Agreement); (2) financial information of the Group and the Target Group; (3) the valuation on the VIE Company prepared by the Independent Valuer; (4) the unaudited pro forma financial information of the Enlarged Group upon Completion; and (5) other information as required under the Listing Rules together with a notice of the EGM and a form of proxy.

THE ACQUISITION

On 17 November 2015, the Company entered into the Share Purchase Agreement (as supplemented by the Supplemental Agreement) with the Seller, the principal terms of which are set out as follows:

Date:

17 November 2015

Parties:

the Company (as the purchaser)

Mr. Peng Dongmiao (as the Seller)

Subject matter:

Pursuant to the Share Purchase Agreement, the Company agreed to buy and the Seller agreed to sell the Sale Share, subject to the terms and conditions therein.

Consideration:

Pursuant to the Share Purchase Agreement, the Consideration is HK$440,000,000, which shall be satisfied by the Company in the following manner on the Completion Date:

(i) HK$20,000,000 shall be settled by the Company by cash;

(ii) HK$220,000,000 shall be settled by way of allotment and issuance of Consideration Shares to the Seller; and

(iii) HK$200,000,000 shall be settled by issuance of Promissory Note.

Consideration Shares:

The Consideration Shares shall be allotted and issued pursuant to the Specific Mandate, and shall rank *pari passu* with the Shares in issue on the date of allotment and issuance including the rights to all dividends, distributions and other payments made or to be made for which the record date falls or after the date of such allotment and issuance. The Consideration Shares are subject to a lock-up period of 3 months after issuance.

An application has been made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

The issue price of Consideration Shares at HK$0.7 per Share represents:

(i) a discount of approximately 11.39% to the closing price of HK$0.79 per Share as quoted on the Stock Exchange on 17 November 2015, being the date of the Share Purchase Agreement;

(ii) a discount of approximately 11.39% to the average closing price of approximate HK$0.79 per Share as quoted on the Stock Exchange for the last five (5) trading days immediately prior to the date of the Share Purchase Agreement; and

(iii) a discount of approximately 19.54% to the closing price of HK$0.87 per Share as quoted on the Stock Exchange on the Latest Practicable Date.

The Consideration Shares represent (i) approximately 39.29% of the existing issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 28.21% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

Basis of Consideration

The Consideration was determined between the parties to the Share Purchase Agreement based on arm's length negotiations after taking into account, among others, (i) the future prospects of the Target Group; (ii) the benefits to be derived by the Company from the Acquisition as described herein below; and (iii) the valuation on the VIE Company prepared by the Independent Valuer.

Adjustment to Consideration

The consideration for the Sale Share shall be subject to adjustment based on the audited consolidated profit after tax of the Target Group (excluding the consolidation adjustment arising from the Acquisition) under Hong Kong Financial Reporting Standards for the financial year ending 31 December 2016 (the "**Actual Profit**").

(i) If the Actual Profit is more than HK$49,000,000, the Company shall pay the Seller an additional consideration (the "**Additional Consideration**") based on the formula set out below, subject to a maximum amount of HK$180,000,000.

Additional Consideration = Actual Profit x 9 – Consideration

The Additional Consideration will take the form of one or more of the following (i) cash; (ii) allotment and issuance of additional consideration shares of the Company (the "**Additional Consideration Shares**") at the same issue price as the Consideration Shares; and/or (iii) the issuance of an additional promissory note by the Company as further agreed by the Company and the Seller. In any event, the issue of Additional Consideration Shares will not trigger a mandatory general offer under Rule 26 of the Takeovers Code. Therefore, the Acquisition will not result in a change of control of the Company. In determining the settlement method of Additional Consideration, the Board will take into consideration that (i) the amount of Additional Consideration to be paid by the Company; (ii) the financial position of the Company at that time; and (iii) the implication of the Takeovers Code, after the Actual Profit having been determined by an independent auditor (which is expected to be on or before 31 March 2017). The Company shall appoint HLB Hodgson Impey Cheng Limited, the auditor of the Group, to be the auditor of the Target Company.

(ii) If the Actual Profit is less than HK$35,000,000, the Seller shall pay the Company a sum (the "**Consideration Deduction**") based on the formula set out below, subject to a maximum amount being the aggregate of (i) the amount which has been received by the Seller under the Promissory Notes up to and including the Payment Date (as defined below) and (ii) the outstanding amount under the Promissory Notes as at the Payment Date (as defined below). It is equivalent to the principal amount of HK$200,000,000 plus all interests to be received by the Seller under the Promissory Notes up to and including the Payment Date (as defined below). For example, if the Actual Profit is zero, the Consideration Deduction would be HK$200,000,000 plus the interests accrued up to the Payment Date (as defined below).

Consideration Deduction = Consideration – Actual Profit x 12.5

The mechanism of the Consideration Deduction is a commercial decision based on the initial valuation of the VIE Company being HK$440,000,000 as agreed by the Company and the Seller with reference of (i) the agreed minimum profit of the Target Group (excluding the consolidation adjustment arising from the Acquisition) of approximately HK$35,000,000 for the year ending 31 December 2016; and (ii) the price-to-earnings multiple of 12.5 times which falls within the range of relevant Hong Kong listed companies. Such downward adjustment mechanism on Consideration offers a downside protection to the Company. The maximum amount of the Consideration Deduction is capped to reflect the agreed intrinsic value of the VIE Company based on the (i) current performance of the VIE Company with a profit of approximately RMB18,715,000 recorded for the nine months ended 30 September 2015 as set out in Appendix IIC of this circular; (ii) available resources such as the experienced team and acquired licenses of the VIE Company; and (iii) the solid growth prospect of the mobile game business, if the profit guarantee of at least HK$35,000,000 of the Target Group (excluding the consolidation adjustment arising from the Acquisition) cannot be achieved.

Unless otherwise agreed by the Company and Seller, the Consideration Deduction will be satisfied by way of set off against the outstanding amount under Promissory Notes and if there is any remainder, in cash.

The Additional Consideration or the Consideration Deduction shall be settled within 20 Business Days after the auditors of the Target Group issues the audited financial statements for the financial year ending 31 December 2016 (which is expected to be on or before 31 March 2017) or such other date as agreed by both parties to the Share Purchase Agreement (the "**Payment Date**"). The Company will also publish an announcement including the Actual Profit and the adjustment on Consideration after the amount of the Additional Consideration or Consideration Deduction, where applicable, is determined. Considering (i) the Consideration and the adjustment were determined based on arm's length negotiation between the Company and the Seller and (ii) the Consideration after adjustment, subject to the maximum amount of adjustment as aforesaid, reflects an implied price-to-earnings multiple from 9 to 12.5 times, which falls within the range as shown by comparable companies listed in Hong Kong, the Directors are of the view that the mechanism of adjustment of Consideration is fair and reasonable.

Promissory Note

Pursuant to the Share Purchase Agreement, the Company will issue to the Seller the Promissory Note in the principal amount of HK$200,000,000 upon Completion. The principal terms of the Promissory Note are summarised as follows:

Issuer:	the Company
Noteholder:	the Seller
Maximum principal Amount:	HK$200,000,000
Interest:	9% per annum payable in arrears every calendar year
Payment:	payment shall be made in Hong Kong Dollars (HKD) to a designated bank account of the Seller.
Maturity date:	the date immediately following 3 years after the date of issue of the Promissory Note ("**Maturity Date**")

Early Redemption:	The Company may at its sole discretion elect to repay all or part of the principal amount of the Promissory Note together with interest accrued thereon at any time prior to the Maturity Date.
Assignment:	neither party to the Promissory Note may assign or transfer any of its rights or obligations under the Promissory Note without the prior written consent of the other party thereto.

Settlement of Consideration

As at the date of this circular with reference of (i) the cash and bank balances of the Group of approximately RMB220,348,000 as at 30 June 2015 as stated in the interim report of the Group for the six months ended 30 June 2015 (the "**Interim Report 2015**"); (ii) the consolidated profit of the Group of approximately RMB62,122,000 for the year ended 31 December 2014 as stated in the relevant annual report which presents a steady growth manner; (iii) the guaranteed profits of RMB35,000,000 (excluding the consolidation adjustment arising from the Acquisition) to be generated by the Target Group; and (iv) the growth potential of the Target Group in the coming years, the Directors are of the view that the Company would have sufficient resources to settle the cash consideration of HK$20,000,000 on Completion Date and to redeem the Promissory Note on Maturity Date. In addition, the Company will also seek for fundraising opportunities through secondary market to strengthen its financial resources should the opportunity arises from time to time.

Conditions Precedent

The Completion of the Share Purchase Agreement shall be subject to the fulfillment or, where applicable, waiver of the following conditions:

(i) the warranties provided by the Company contained in the Share Purchase Agreement shall remain true and accurate in all material respects and not misleading in any respect as at the Completion Date and at all times throughout the period from the date of the Share Purchase Agreement to the Completion Date;

(ii) the warranties provided by the Seller contained in the Share Purchase Agreement shall remain true and accurate in all material respects and not misleading in any respect as at the Completion Date and at all times throughout the period from the date of the Share Purchase Agreement to the Completion Date;

(iii) the Company, in its absolute discretion, being satisfied with the results of the due diligence review on, the financial condition, commerce, trade, asset, corporation, taxation, operation and other conditions of each of the Target Group companies;

(iv) the Company having obtained a legal opinion on, among others, the VIE Company, the legality and enforceability of the VIE Contracts, issued by the PRC Legal Adviser, in form and substance satisfactory to the Company in its absolute discretion;

(v) the Company having obtained all necessary consents and approvals (if any) from the relevant authorities (including but not limited to the Stock Exchange);

(vi) the passing of the resolution(s) at the EGM to approve the Acquisition and the Specific Mandate;

(vii) no material adverse change in the financial condition, commerce, trade, asset, corporation, taxation, operation or other conditions the Target Group has occurred since the date of the Share Purchase Agreement to the Completion Date;

(viii) the WFOE having been duly established and is validly existing as a wholly foreign owned enterprise with limited liability under the PRC law;

(ix) the VIE Contracts enabling the financial results, the entire economic benefits and the risks of the business of the VIE Company to flow into the WFOE and enabling the WFOE to gain the controlling right of the VIE Company having been duly executed and remaining valid and subsisting;

(x) the completion of the transfer of the entire share capital in Novel Blaze held by Mr. Sun to Ms. Zheng;

(xi) the Seller having executed the Seller's Undertaking (as defined herein below);

(xii) Ms. Zheng having executed Ms. Zheng's Undertaking (as defined herein below);

(xiii) the Company having executed the Company's Undertaking (as defined herein below);

(xiv) the Seller having completed the foreign exchange registration under Circular 37 with the State Administration of Foreign Exchange of the PRC（中華人民共和國外匯管理局）; and

(xv) the Stock Exchange having granted the listing approval in respect of, and permission to deal in, the Consideration Shares.

The Company can waive by notice in writing to the Seller the Conditions (ii), (iii), (iv) and (vii) and the Seller can only waive by notice in writing to the Company the Condition (i).

In the event that any of the Conditions is not fulfilled (or waived) on or before 30 June 2016 (as agreed in the Supplemental Agreement) or such later date as mutually agreed by the Company and the Seller, then the parties to the Share Purchase Agreement shall not be bound to proceed with the Acquisition and the Share Purchase Agreement shall cease to be of any effect save in respect of claims arising out of any antecedent breach of the Share Purchase Agreement.

As at the Latest Practicable Date, Conditions (iv), (viii), (xi), (xii) and (xiii) have been satisfied and none of the remaining Conditions have been satisfied or waived and the Company has no intention to waive any of the remaining Conditions.

Non-competition

Each of the Seller and the PRC Equity Owner agrees that for a period of five (5) years starting from the Completion Date, any of them shall not, and shall ensure that none of their related parties shall, engage or hold any interest in any business or activity which is in competition with the business of the Company (including but not limited to research, developing, marketing and/or promotion of mobile gaming) in Hong Kong or the PRC, either directly or indirectly, solely or jointly with others, or through the establishment of any business entity directly or indirectly, solely or jointly with others, provided that such restrictions shall not apply to: (i) the Seller's interest in the Company; (ii) less than 5% interest in any company whose shares are listed on any stock exchange; and (iii) the PRC Equity Owner's interest in the VIE Company.

Completion

Completion shall take place on the 7th Business Day after all Conditions have been fulfilled or waived or such other date as the parties to the Share Purchase Agreement may mutually agree in writing.

Upon Completion, the Company will hold the entire issued share capital of the Target Company and the Target Company will become a subsidiary of the Company.

Effect of the issue of Consideration Shares on the Shareholding Structure

The table below sets forth the shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon allotment and issuance of the Consideration Shares (assuming no outstanding share options having been exercised and the number of Shares owned by each of the Shareholders below between the Latest Practicable Date and the date of issue of the Consideration Shares remain unchanged):

Shareholders	**As at the Latest Practicable Date**		**Immediately after the allotment and issuance of the Consideration Shares (assuming any outstanding share options not having been exercised and number of Shares owned by each of the Shareholders below between the Latest Practicable Date and the date of issue of the Consideration Shares remain unchanged)**	
	Number of Shares	*Approximate %*	*Number of Shares*	*Approximate %*
Novel Blaze Limited	408,000,000	51.00%	408,000,000	36.62%
Seller or an entity designated by the Seller	0	0.00%	314,285,714	28.21%
Public Shareholders				
Zhuo Longwang	68,180,000	8.50%	68,180,000	6.12%
Qi Yuan Asset Management (H.K.) Ltd.	58,450,000	7.31%	58,450,000	5.25%
Wu Shifa	51,000,000	6.38%	51,000,000	4.58%
Other public Shareholders	214,370,000	26.81%	214,370,000	19.22%
Total	800,000,000	100%	1,114,285,714	100%

As illustrated above, upon Completion, there will not be a change of control of the Company.

Financial Effect of the Acquisition

The unaudited pro forma financial information of the Enlarged Group illustrating the financial effects of the Acquisition on the assets and liabilities of the Group is set out in Appendix III to this circular. As at 30 June 2015, the unaudited consolidated total assets and total liabilities of the Group amounted to approximately RMB616 million and approximately RMB303 million respectively. If the Acquisition had been completed on 30 June 2015, the unaudited consolidated total assets and total liabilities of the Enlarged Group would have been increased to approximately RMB1,062 million and RMB549 million respectively.

By considering the strong earnings growth of the VIE Company with a profit of approximately RMB18,715,000 recorded for the nine months ended 30 September 2015 as set out in Appendix IIC of this circular and the solid experience in mobile game business demonstrated by the existing management team of the VIE Company, the Directors are of the view that the profit guarantee of at least HK$35,000,000 of the Target Group (excluding the consolidation adjustment arising from the Acquisition) is highly probable to be achieved for the financial year ending 31 December 2016.

Upon Completion, the Directors expect that the Acquisition will positively increase the earnings of the Group if the profit guarantee of at least HK$35,000,000 of the Target Group (excluding the consolidation adjustment arising from the Acquisition) could be achieved.

It should be noted that the above financial effects of the Acquisition are for illustration purpose only. The exact financial effects are dependent on the consolidated net assets value of the Target Group on the Completion Date, and are subject to the review by the Company's auditors.

UNDERTAKING LETTERS

To further safeguard the interests of the Company in the VIE Contracts,

A. Ms. Zheng has executed the following undertaking ("Ms. Zheng's Undertaking"):

Ms. Zheng, subject to Completion having taken place in accordance with the terms of the Share Purchase Agreement, hereby irrevocably and unconditionally undertakes to the Company that:

1. she shall continue to maintain her Chinese nationality and citizenship;

2. Novel Blaze shall continue to be wholly owned by Ms. Zheng;

3. Ms. Zheng shall notify the Company and the Stock Exchange in writing if she intends to dispose of any of the Shares directly or indirectly held by her (the "**Disposal of Ms. Zheng**"). Such notice shall contain details of the Disposal, including but not limited to the number of Shares to be sold, her remaining shareholding in the Company upon completion of the Disposal of Ms. Zheng and, where applicable, details of the transferee(s);

4. Ms. Zheng shall not dispose of any of the Shares directly or indirectly held by her, including the 408,000,000 Shares beneficially owned by Novel Blaze and any further Shares which she may acquire directly or indirectly after the date of this Letter, unless either one of the following conditions is satisfied:

    (i) she shall hold, directly or indirectly, not less than 50% of the issued share capital of the Company (or such other percentage shareholding in the Company as required by applicable PRC laws and regulations from time to time as confirmed in writing by the Company's PRC lawyers to ensure "control" of the Company as defined in and for the purpose of the Draft Law so that the VIE Contracts continue to be in full force and effect) (the "**Minimum Percentage**") upon completion of the Disposal of Ms. Zheng. Prior to any Disposal of Ms. Zheng pursuant to this paragraph 4(i), she shall provide evidence to the satisfaction of the Company that her remaining shareholding in the Company would not be less than the Minimum Percentage; or

(ii) the transferee(s) of the Shares are PRC citizens and each of the transferees has provided to the Company (a) satisfactory evidence of his or her citizenship; and (b) an irrevocable undertaking in substantially the same form as Ms. Zheng's Undertaking and any variations shall be made only with the consent of the Company;

and the Stock Exchange has confirmed in writing that it has no objection to the proposed Disposal of Ms. Zheng. If so requested by the Stock Exchange, she shall provide to the Stock Exchange a legal opinion issued by a PRC legal adviser for its assessment of the implications (if any) of the Disposal of Ms. Zheng under the Draft Law.

Ms. Zheng's Undertaking shall continue in full force and effect unless and until the earlier of (i) Company is no longer required to comply with the relevant PRC laws and regulations governing the VIE Contracts and the Stock Exchange has given its written consent for the termination of Ms. Zheng's Undertaking, and (ii) Ms. Zheng ceases to, directly or indirectly, hold any Shares in the Company

B. The Seller has executed the following undertaking ("the Seller's Undertaking"):

The Seller, subject to the Completion having taken place in accordance with the terms of the Share Purchase Agreement, hereby irrevocably and unconditionally undertakes to the Company that:

1. The Seller shall continue to maintain his Chinese nationality and citizenship;

2. The Seller shall notify the Company and the Stock Exchange in writing if he intends to dispose of any of the Consideration Shares (the "**Disposal of the Seller**"). Such notice shall contain details of the Disposal of the Seller, including but not limited to the number of Consideration Shares to be sold (the "**Disposal Shares**"), his shareholding in the Company upon completion of the Disposal of the Seller and, where applicable, details of the transferee(s);

3. The Seller shall not, directly or indirectly, dispose of any of the Consideration Shares unless either one of the following conditions is satisfied:

   (i) the Company has confirmed to the Seller in writing that the aggregate shareholdings of all shareholders who have provided undertakings similar to the Seller's Undertaking to the Company from time to time (the "**Relevant PRC Shareholders**") would remain 50% or above (or such other percentage shareholding in the Company as required by applicable PRC laws and regulations from time to time as confirmed in writing by the Company's PRC lawyers to ensure "control" of the Company as defined in and for the purpose of the Draft Law so that the VIE Contracts continue to be in full force and effect) upon completion of the Disposal of the Seller; or

(ii) transferee(s) of the Disposal Shares are PRC citizens and each of the transferees has provided to the Company (a) satisfactory evidence of his or her citizenship; and (b) an irrevocable undertaking to the Company in substantially the same form as the Seller's Undertaking and any variations shall be made only with the consent of the Company;

and the Stock Exchange has confirmed in writing that it has no objection to the proposed Disposal. If so requested by the Stock Exchange, the Seller shall provide to the Stock Exchange a legal opinion issued by a PRC legal adviser for its assessment of the implication (if any) of the Disposal of the Seller under the Draft Law.

The Seller's Undertaking shall continue to be in full force and effect unless and until the earlier of (i) the Company is no longer required to comply with the relevant PRC law governing the VIE Contracts and the Stock Exchange has given its written consent for the termination of the Seller's Undertaking, and (ii) the Seller ceases to hold any of the Consideration Shares.

C. The Company has executed the following undertaking (the "Company's Undertaking"):

The Company, subject to Completion having taken place, undertakes to the Stock Exchange that:

1. the Company shall at all times enforce the letters of undertakings provided by Ms. Zheng and the Seller;

2. save for any issue of new Shares pursuant to (i) the exercise of any share options granted or to be granted under the Share Option Scheme ("**Share Options**") adopted by the Company on 13 December 2013; and (ii) the exercise of conversion rights attached to the HK$20,000,000 7.5% convertible bonds due in 2016 issued by the Company on 19 June 2015 ("**Convertible Bonds**"), the Company shall not issue any new Shares to any person(s) who are not Relevant PRC Shareholders, whether pursuant to the specific mandate and/or the general mandate from the Shareholders, unless the following conditions are satisfied:

   (i) the aggregate shareholdings of all Relevant PRC Shareholders would represent not less than 50% (or such other percentage shareholding in the Company as required by applicable PRC laws and regulations from time to time as confirmed in writing by the Company's PRC lawyers to ensure "control" of the Company as defined in and for the purpose of the Draft Law so that the VIE Contracts continue to be in full force and effect) of the enlarged issued share capital of the Company, assuming all Share Options have been fully exercised and all Convertible Bonds have been fully converted, upon completion of such issue of Shares; and

(ii) the Stock Exchange has confirmed in writing that it has no objection to the proposed issue of Shares. If so requested by the Stock Exchange, the Company shall provide to the Stock Exchange a legal opinion issued by a PRC legal adviser for its assessment of the implications (if any) of the proposed issue of Shares under the Draft Law.

The Company's Undertaking shall continue in full force and effect unless and until the Company is no longer required to comply with the relevant PRC laws and regulations governing the VIE Contracts and the Stock Exchange has given its written consent for the termination of the Company's Undertaking.

REASONS FOR AND BENEFITS OF ENTERING INTO THE SHARE PURCHASE AGREEMENT

It has been the business strategy of the Group to proactively seek for potential investment opportunities through potential acquisitions or joint ventures to diversify its existing business portfolio into new line of business with growth potential, to broaden its source of income, and eventually to enhance the Group's intrinsic market value for the Shareholders.

The Directors are of the view that although the existing business of the Group can bring stable profit to the Group at current stage as disclosed in the Interim Report 2015, the prospects of traditional business are not as promising as emerging industries with huge growth potential (e.g. the mobile game industry). Therefore, the Directors believe that the acquisition of the Target Group is a good opportunity for the Company to diversify its existing investment and strengthen its competitiveness in the long run by tapping into industries in early stages of its life cycle. The Directors believe the Acquisition is in line with the Group's business strategy for the following reasons:

Rapid Growth of Mobile Games Business

The mobile games business has experienced rapid growth in China in recent years with the unprecedented growth of smartphone users and the growth is expected to continue in the coming years driven by the rapid growth of smartphone penetration. According to the 2015 Global Mobile Games Whitebook published by the Global Mobile Game Confederation, the Chinese mobile games market is set to overtake the US and become the largest in the world by 2016 with revenues of US$7.7 billion. Therefore the Directors are optimistic about the outlook of the mobile games industry and believe investment in mobile games business will bring a promising return to the Group.

Growth Potential of the VIE Company

Although the VIE Company has operated in a relatively small scale, in terms of sales figures, for the two years end 31 December 2014, benefited from the market environment aforesaid and the launching of two new mobile games in July 2015 and September 2015, the VIE Company monthly recharge increased to and maintained at an unprecedented level from the second half of 2015. Details of monthly paid users and monthly recharge from July 2015 to December 2015 are illustrated as follows:

	Monthly Paid Users *(excluding the recharge by using free voucher)*	**Monthly Recharge** *(In RMB)*
July 2015	approximately 86 thousand	approximately 24 million
August 2015	approximately 164 thousand	approximately 25 million
September 2015	approximately 245 thousand	approximately 30 million
October 2015	approximately 274 thousand	approximately 28 million
November 2015	approximately 292 thousand	approximately 32 million
December 2015	approximately 317 thousand	approximately 26 million

Ready Access to Technical, Human and Other Resources

The Directors believe that it is essential for the Group to have a strong team of mobile game developers to support a continued stream of innovation contents as only competitive or creative games will thrive. The VIE Company is managed by a team of professional game developers and operators, which is well recognized for its production and promotion of a myriad of proven and popular games. With skills and experience accumulated over years, the Directors believe that the VIE Company represents a good investment opportunity with huge growth potential. In addition, the VIE Company holds certain licenses and permits that are essential to the operation of the mobile game business. Therefore, the Directors believe that acquiring a well-established mobile game company with readily available resources is the quickest and most efficient way to achieve the goal of the Group.

Reasonable Price-to-Earnings Multiple

As illustrated in the section headed "Adjustment to Consideration", the Consideration after adjustment, subject to the maximum amount of adjustment as aforesaid, reflects an implied price-to-earnings multiple from 9 to 12.5 times, which falls within the range as shown by comparable companies listed in Hong Kong.

The price-to-earnings multiples of the profit making comparable companies listed in Hong Kong being considered by the parties are as follows:

Stock Code	Company Name	Price-to-Earnings Multiple (times)
00700	Tencent Holdings Ltd	41.98
00799	IGG Inc	9.77
06899	Ourgame International Holdings Ltd.	27.13
01022	Feiyu Technology International Co. Ltd.	13.69
00434	Boyaa Interactive International Ltd	8.64
	Average price-to-earnings multiple	20.24

Source: Bloomberg as at 17 November 2015

Having considered above, as well as the business model, financial positions and performance, existing management team and professionals, and the prospect of the mobile game business of the VIE Company, the Directors believe that the Acquisition is in line with the Group's business diversification strategy and represents an attractive investment opportunity of the Group to tap into the industry of mobile gaming with growth potential and to generate diversified income streams and additional cashflow through the Target Group, and will further reinforce the above strategy and Group's business objective.

The Board considers that the terms of the Share Purchase Agreement (as supplemented by the Supplemental Agreement) were determined after arm's length negotiations between the parties thereto and the Directors are of the view that the terms of the Share Purchase Agreement (as supplemented by the Supplemental Agreement) are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE TARGET GROUP

The Target Company is a company incorporated in the BVI with limited liability. It is an investment holding company which holds the entire issued share capital of the Hong Kong Company, which is an investment holding company and in holds the entire equity interest in the WFOE. The WFOE will enjoy the entire economic interests and benefits of the VIE Company through the VIE Contracts.

The VIE Company is principally engaged in the research, development, distribution and operation of online gaming products since its incorporation in 2007 and holds certain licenses and permits that are essential to the operation of its business, such as Internet Content Provider License (the "ICP License") (中華人民共和國增值電信業務經營許可證) and the Network Cultural Business Permit (the "Permit").

As set forth in the Administrative Rules for Internet Information Services (互聯網信息服務管理辦法), internet service provider that provides paid services to internet users is required to obtain the ICP License from the appropriate telecommunications authorities in order to carry on any commercial internet content provision operations in the PRC. All online game platforms in the PRC are required to obtain such license. Since online gaming falls within the definition of "internal culture products" under the Provisional Regulations for the

Administration of Internet Culture (互聯網文化管理暫行規定), a commercial operator of online games must obtain the Permit in addition to the ICP License, from the appropriate culture administrative authorities for its operation of online games. All online game publishing platforms in the PRC are required to obtain such Permit. Pursuant to such requirements, the VIE Company has obtained the ICP License, with a validity period from June 29, 2015 to June 29, 2020 and also obtained the Permit, with a validity period from February 12, 2014 to February 12, 2017. The Permit and the ICP License will be renewed upon expiry and the VIE Company does not foresee any issue which may affect their renewals in the future.

In 2012, the VIE Company had successfully negotiated with certain game developers in the PRC to publish several popular games such as "Long Jiang" (龍將), "Shen Qu" (神曲) and "Meng Huan Fei Xian" (夢幻飛仙). In 2013, the VIE Company launched its first self-developed mobile game "Jian Ge" (劍歌), which was critically acclaimed and popular in the PRC. In July 2015 and September 2015, the VIE Company further launched two of its self-developed mobile games, namely, "Da Sheng Chuan Shuo" (大聖傳說) and "Di Guo Ying Xiong" (帝國英雄) respectively. Both games consist of strategic, simulation and role playing elements, and are available for downloading at major PRC gaming portals, such as 360, Baidu and "Chuang Yu Wang Luo" (創娛網絡). Up to December 31, 2015, total aggregate registered users of the two mobile games launched by the VIE Company are approximately 8.5 million. The VIE Company expects to launch a few new mobile games in 2016, such as "Jian Yu Jiang Hu" (劍雨江湖), which is adapted from a Chinese martial arts film named Reign of Assassins or "Jian Yu" (劍雨). The web game of the same name has been launched in December 2015 and secured top ranking of popularity on 360, Sogou and YY (wan.yy.com) immediately after launching. The VIE Company participated in the promotion of this web game through its web game platform Menle.com (萌樂網).

The business model of the VIE Company has been adjusted from time to time to adapt to the changing market environment. In recent years, the VIE Company has gradually switched from publishing and distribution of games developed by third party game developers to the in-house development of internet and mobile gaming products.

In respect of the publication and distribution of the internet and mobile gaming products, the VIE Company operates an online platform (youc.com (優戲網)) for publication and distribution of both self-developed mobile games and mobile games developed by other game developer(s). The VIE Company launched a new online platform (Menle.com (萌樂網)) in December 2015 to publish and distribute web games developed by itself as well as third party developers. Since the launch of 萌樂網, the platform has promoted two web games, 劍雨江湖 and "Feng Bao Da Lu" (風暴大陸), on its website. Generally, browser-based games and mobile-based games can be downloaded at the said platform for free. Players of the games would be required to pay an extra amount if they wish to proceed to an intermediate or advance level of the said games. The VIE Company charges an agreed percentage of the payment as commission for games developed by other game developers.

In respect of the development of the internet and mobile gaming products, the games developed by the VIE Company can be accessed at various third-party game distribution and publishing platforms including online application stores, web-based and mobile game portals (the "Game Distribution Channels") for free and players would be required to pay if they wish to purchase virtual currency which they may subsequently exchange for virtual items and premium features that enhance their in-game experience by, for example, enhancing the powers, abilities, attractiveness and social interaction of their characters, or enabling them to advance in the game more quickly. The VIE Company will have to share an agreed percentage of profits generated from the games with the gaming platform operator. The target customers of these mobile games are the general public in the PRC. The VIE Company receives commissions based on the purchase amount for in-game currency remitted by players through the gaming portals.

With the continued efforts on game development, integration and cooperation with various distribution platform, the VIE Company turned from loss to profit after tax of approximately RMB764,000 for the year ended 31 December 2014 and further increased its profits to approximately RMB18,715,000 for the nine months end 30 September 2015 pursuant to the Accountants' Report of the VIE Company included in Appendix IIC of this circular.

After Completion, it is expected that the VIE Company will continue to improve its R&D capabilities and recruit appropriate game developers so as to maintain its business growth.

Revenue Recognition

As a result of the change in business model, there is a change in accounting treatment on revenue recognition. Before 2015, the VIE company was principally engaged in the publication and distributing mobile games developed by third parties and the revenue was recognised on a net basis which was the residual after deducting the commission charged by the Game Distribution Channels and the sharing amount to game developers. When the VIE Company switched its focus on the development of the mobile and internet gaming products in 2015, the VIE Company recognises revenue on a gross basis and recognise the relevant service fees and revenue-sharing to Game Distribution Channels as cost of sales in the consolidated statement of profit or loss and other comprehensive income.

Competitive Advantages

The competitive advantages of the VIE Company consist primarily the followings:

(i) Diverse Distribution and Publishing Platforms

The VIE Company has access to multiple tiers of game distribution and publishing platforms to market and promote its mobile games. The VIE Company utilizes websites that promote and distribute online games in the PRC to expand its distribution network. As of the Latest Practicable Date, the mobile games are available on an extensive network, which covers majority of the popular PRC mobile game portals. The mobile games are available on some of the most visited game distribution and publishing platforms in China, including Baidu and 360.cn, enabling the VIE Company to tap into a large and diversified player base.

(ii) Strong Game Development Expertise

The VIE Company has strong game development expertise anchored by core game development talent. The online games of the VIE Company are developed in-house. In addition, the VIE Company undertakes game development from a scientific and data-driven approach. It actively monitors the latest trends relating to entertainment and popular culture to develop games with themes and storylines that attract a wide base of players. All of the elements in its games, such as the storyline, progression of players' characters' attributes, artwork and pricing of virtual items, are carefully plotted by the VIE Company's team to reflect the latest entertainment and gaming trends. In addition, the VIE Company has accumulated in-depth knowledge of the gaming market, player preferences and industry trends. By leveraging the data relating to user behavior and preferences of its self-developed games from third-party distribution and publishing platforms, the VIE Company has been able to react quickly to changing customer preferences and market trends in China to continually develop successful new games.

Major Cost Component

The cost of revenue of the VIE Company consists primarily the followings:

(i) Service Charge

The service charges by third party game distribution and publishing platforms have been the single largest component of costs of revenue. As the VIE Company shifted its focus to the development of internet and mobile gaming products in 2015, it increased its cooperation with third-party distribution platforms with large user base and marketing capability in the distribution of its games and as a result, the service charge by distribution platforms as a percentage of revenue increased. As the VIE Company relies on third party application stores, online gaming platforms and mobile game portals to distribute its games, it is expected that the service charges by the distribution platforms will continue to be the largest component of costs of revenue.

(ii) Research and Development Expenses

Research and development expenses primarily consist of salaries and other benefits for the employees of the VIE Company engaged in game and game technology development and upgrade. Other expenses included in the research and development expenses include, among other things, office rental, and traveling and entertainment expenses in connection with the research and development activities. The VIE Company plans to develop more quality games and invest in game technology enhancement, it is expected that the research and development expense to increase in absolute amount in the future and expect such increase to be in line with future increase of revenue.

Management Team of the Target Group

As at the Latest Practicable Date, the Directors do not have relevant experience or expertise in operating mobile game business. However, the Target Group will be managed under the supervision of the Directors, by its existing management team with solid experience in mobile game business after the Acquisition. The roles and qualifications of the management team are set out as follows:

- **Lv Hanbing ("呂寒冰") – Senior Management**

  Mr Lv is experienced in the development of various mobile games. He was previously appointed by Microsoft as the honourable Community Star ("社區之星"). Mr Lv was graduated from University of Electronic Science and Technology of China and was qualified with Oracle and SCJP accreditation.

- **Lin Jie ("林杰") – Senior Management**

  Mr Lin has 8 years of experience in game distribution and marketing. Prior to joining the VIE Company, he took on major sales and marketing role for the NetEase Group and 35.com for various successful games including but not limited to Tianxia 2 ("天下2"), Datangwushuang ("大唐無雙") and Qiannuyouhun ("倩女幽魂").

- **Zou Hongyi ("鄒宏毅") – Core Developer**

  Mr Zou has 10 years of experience in game development. Prior to joining the VIE Company, he has developed a number of remarkable games, including "Mingchaoshidai 明朝時代" (Monthly Recharge above RMB30 million), "Taiguzhetian 太古遮天", (Monthly Recharge above RMB30 million), "Liujiexianzun 六界仙尊" (Monthly Recharge above RMB40 million). Mr Zou is currently the core developer of Dashengchuanshuo ("大聖傳說") of the VIE Company.

- **Zheng Jiawei ("鄭甲偉") – Core Developer**

  Mr Zheng has 10 years of experience in game development. Prior to joining the VIE Company, he has developed a few renowned games such as "Zhenwufengshen 真武封神" (Monthly Recharge above RMB10 million) and "Aoshifengshen 傲視封神" (Monthly Recharge above RMB10 million).

- **Bu Guoyan ("卜國炎") – Core Developer**

  Mr Bu has 10 years of experience in game programming. He has previously engaged in the development and programming of "Menghuanfeixian 夢幻飛仙" and "Qingshiqingyuan 傾世情緣"

  The Company will also consider, whenever necessary, recruiting more talents to manage the business and strengthen its operation after the completion of Acquisition.

Financial Information

Set out below is the financial information of the VIE Company based on the unaudited financial statements for the two years ended 31 December 2013 and 2014:

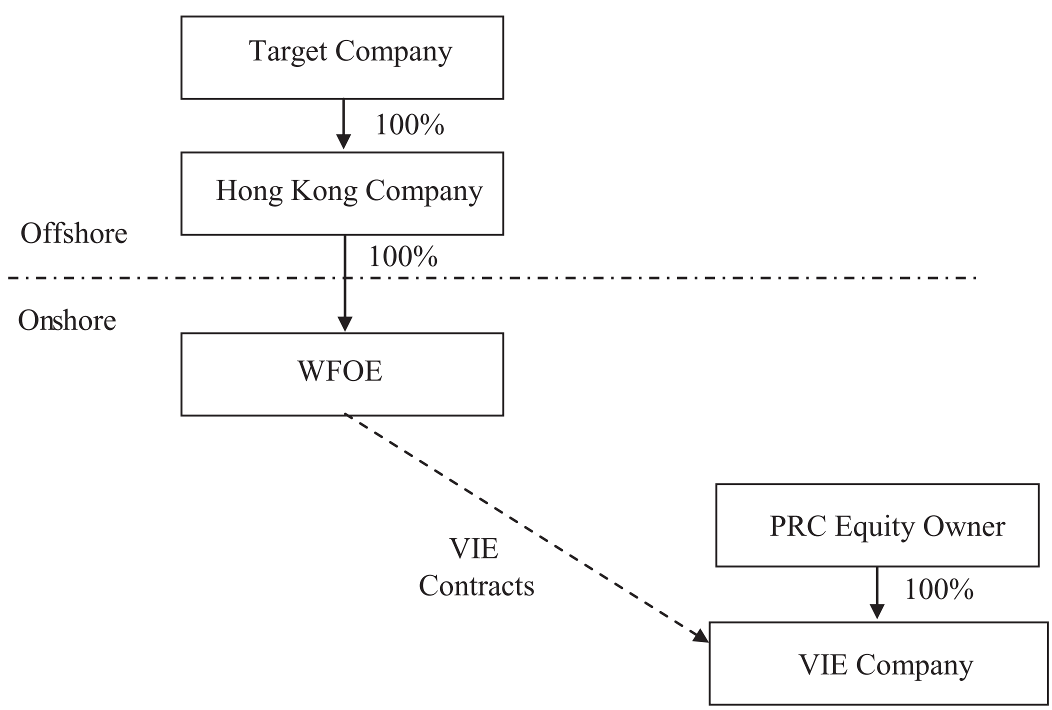
	For the year ended 31 December 2013 *(unaudited)* *RMB'000*	**For the year ended 31 December 2014** *(unaudited)* *RMB'000*
Net profit/loss before taxation and extraordinary items	(165)	764
Net profit/loss after taxation and extraordinary items	(165)	764

As at 31 December 2014, the unaudited net asset value of the VIE Company was approximately RMB 8,261,000.

There is no revenue generated from other subsidiaries of the Target Group apart from the VIE Company.

Shareholding Structure

Set out below is the proposed shareholding structure of the Target Group after Completion:



Pursuant to the VIE Contracts to be entered into among WFOE, the VIE Company and the PRC Equity Owner, WFOE will have effective control over the VIE Company so as to obtain the economic interests and benefits from their business activities despite the lack of registered equity ownership.

The Directors have discussed with the reporting accountants and confirmed that under the prevailing accounting principles, the Target Company will have the right to consolidate the financial results of the VIE Company in its consolidated accounts as if it was a subsidiary of the Target Group upon establishment of WFOE and entry into the VIE Contracts. Details of the basis of consolidation please refer to note 4 of the Company's annual report for the year ended 31 December 2014.

The PRC Equity Owner holds the entire equity interest in the VIE Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the PRC Equity Owner is a resident in the PRC and an independent third party.

INFORMATION OF THE VIE CONTRACTS

Reasons for use of the VIE Contracts

The VIE Company is principally engaged in the research, development, distribution and operation of mobile gaming products, among which the operation of mobile games is considered to be engaged in the provision of value-added telecommunications services and the internet cultural business, a restricted business and prohibited business respectively for foreign investors pursuant to the Guidance Catalogue of Industries for Foreign Investment (2015 Revision) (《外商投資產業指導目錄(2015 年修訂)》).

Therefore, the WFOE, the VIE Company and the PRC Equity Owner will enter into the VIE Contracts before Completion for the WFOE to realise the intended financial results, and to assume the economic benefits and the risks of the businesses of the VIE Company and to enable WFOE to gain control over the VIE Company.

VIE Contracts

Exclusive Technological Support and Management Consulting Service Agreement

The WFOE and the VIE Company will enter into the Exclusive Technological Support and Management Consulting Service Agreement, pursuant to which the VIE Company agrees to engage the WFOE as its exclusive consultant and service provider.

Pursuant to the Exclusive Technological Support and Management Consulting Service Agreement, the VIE Company shall pay to the WFOE a service fee that is equal to its 100% profits before income tax (net of operating and other tax expenses) on a monthly basis.

Business Cooperation Agreement

The WFOE, the VIE Company and the PRC Equity Owner will enter into the Business Cooperation Agreement, pursuant to which the VIE Company and the PRC Equity Owner agree to appoint persons to be designated by the WFOE to be the chairman (when applicable), directors/executive directors, general manager, chief financial controller and other senior management of the VIE Company. The VIE Company shall be operated in accordance with the WFOE's instruction and the PRC Equity Owner has undertaken not to act in any manner that may affect the assets, business, personnel, obligations, rights or the operations of the VIE Company, unless with the prior written consent of the WFOE or its appointee. The PRC Equity Owner and the VIE Company will also agree in the Business Cooperation Agreement that, unless there is a prior written consent from the WFOE or its appointee, the PRC Equity Owner will not sell, transfer, lease any of the material assets or rights of the VIE Company or authorize any third party the right to use, including but not limited to, any know-how, trade secrets, domain names, trade marks, patents, copyright of the VIE Company, or any material assets or rights acquired by the VIE Company. In addition, under the Business Cooperation Agreement, the WFOE shall have the right to obtain and review the business data, financial information and other information relevant to the operations and business of the VIE Company.

Under the Business Cooperation Agreement, the PRC Equity Owner has warranted to the WFOE that appropriate arrangements will be made to protect the WFOE's interests in the event of the PRC Equity Owner's death, loss of capacity, bankruptcy or divorce to avoid any practical difficulties in enforcing the Business Cooperation Agreement, which amongst others, stipulates that, in the event of (i) the PRC Equity Owner's reduced or loss of capacity, (ii) the death of the PRC Equity Owner, or (iii) divorce between the PRC Equity Owner and his spouse, the PRC Equity Owner and/or his spouse will unconditionally procure the transfer of the PRC Equity Owner and/or his spouse's entire equity interest in the VIE Company at nil consideration to the WFOE or any appointees of the Company. In this regard, the spouse of the PRC Equity Owner will execute an irrevocable undertaking, whereby the spouse of the PRC Equity Owner acknowledged and agreed be bound by the undertakings of the PRC Equity Owner and the spouse of the PRC Equity Owner pursuant to the Business Cooperation Agreement.

Under the Business Cooperation Agreement, in the event of the dissolution or liquidation of the WFOE, the VIE Company and its shareholders unconditionally grant the right to the Target Company's nominee (including the liquidator of the Company as nominated by the Target Company upon liquidation of the WFOE), to exercise all rights granted to the WFOE under the Business Cooperation Agreement, this includes the disposal of the VIE Company's assets, and the proceeds of which shall be transferred at nil consideration to the Target Company or Target Company's nominee (including shareholders and creditors of the Company). Based on this, the VIE Contracts encompass dealing with assets of the VIE Company, and not only the right to manage its business and the right to revenue. This ensures the liquidator of the Company, acting on the VIE Contracts, can seize the assets of the VIE Company by dissolving the WFOE in a winding up situation of the Company for the benefit of the shareholders and creditors of the Company.

Exclusive Option Agreement

The WFOE, the PRC Equity Owner and the VIE Company will enter into the Exclusive Option Agreement, pursuant to which the PRC Equity Owner irrevocably grant to the WFOE or any person(s) designated by the WFOE, the exclusive option(s) to purchase, to the extent permitted by PRC laws and regulations (including the bankruptcy of the PRC Equity Owner), the PRC Equity Owner's equity interest in the VIE Company, entirely or partially, at an aggregate consideration of RMB1 or a minimum purchase price permitted by PRC laws and regulations (the "Agreed Price") for all option(s) exercised. Pursuant to the Exclusive Option Agreement, the PRC Equity Owner has undertaken to reimburse the WFOE (or the person as designated by the WFOE), any of the difference between the actual consideration the WFOE (or the person as designated by the WFOE) paid pursuant to the exercise of the option(s) and the Agreed Price. The WFOE may exercise such options at any time until it or the person(s) designated by it has acquired the entire equity interest of the VIE Company.

In addition, without prior written consent from the WFOE, the VIE Company and the PRC Equity Owner may not, among other things, (i) dispose of or procure other person(s) to dispose of any material assets of the VIE Company (unless it arises in the ordinary course of business), or (ii) pass or approve any resolution with respect to the liquidation and dissolution of the VIE Company.

Shareholders' Voting Right Entrustment Agreement

The PRC Equity Owner, the VIE Company and the WFOE will enter into the Shareholders' Voting Right Entrustment Agreement pursuant to which the PRC Equity Owner irrevocably and unconditionally agrees to entrust to WOFE and its successor or liquidator all the shareholder's voting rights in the VIE Company, without further consent of the PRC Equity Owner, among other things, (i) as the agent of the PRC Equity Owner, to convene and attend the shareholders' meetings of VIE Company; (ii) to represent the PRC Equity Owner and discuss, approve and exercise the voting rights at the shareholders' meetings of VIE Company; (iii) any other voting rights as authorized under the articles of association of VIE Company (as amended from time to time); and (iv) to receive any general meeting notice, execute any meeting minutes or resolutions, and submit or file the relevant documents with the relevant companies registry or PRC authorities on behalf of the PRC Equity Owner. The Shareholders' Voting Right Entrustment Agreement further grant to the WFOE the right to entrust all its rights entrusted by the PRC Equity Owner, to its directors or nominees, which may include the Directors and their successors (including a liquidator replacing the Directors).

The PRC Equity Owner confirmed that no prior consent from him is required for exercising the aforesaid voting rights.

Equity Pledge Agreement

The PRC Equity Owner, the VIE Company and the WFOE will enter into the Equity Pledge Agreement, pursuant to which the PRC Equity Owner shall pledge all of his equity interests in the VIE Company to WFOE to secure the performance of all their obligations and the obligations of the VIE Company under the VIE Contracts. Pursuant to the Equity

Pledge Agreement, the WFOE has a first priority pledge on all or any part of the equity interests in the VIE Company held by the PRC Equity Owner. Under the Equity Pledge Agreement, if PRC Equity Owner and/or VIE Company breaches any obligation under the VIE Contracts, the WFOE, as the pledgee, is entitled to request the PRC Equity Owner to transfer the pledged equity interests, entirely or partially to the WFOE and/or any entity or person as designated by the WFOE. In addition, pursuant to the Equity Pledge Agreement, the PRC Equity Owner undertakes to the WFOE, among other things, not to transfer his interests in the VIE Company and not to create any pledge thereon without the WFOE's prior written consent.

Power of Attorney

The PRC Equity Owner will issue a power of attorney to the WFOE, pursuant to which he will irrevocably authorize the WFOE to exercise all of his rights and powers as shareholder of the VIE Company.

Spousal Confirmation

The spouse of the PRC Equity Owner will issue a spousal confirmation to the WFOE, pursuant to which she shall acknowledge the PRC Equity Owner to have entered into the VIE Contracts and will irrevocably agree to the arrangements under the VIE Contracts and will promise not to be involved in the business operation, management, liquidation and dissolution of the VIE Company.

Compliance of VIE Contracts with PRC laws, rules and regulations

Based on the confirmation received from Fujian Communications Administration (福建省通信管理局), Fujian Provincial Department of Culture (福建省文化廳) and Fuijian Provincial Administration of Press, Publication, Radio, Film and Television (福建省新聞出版局), the PRC Legal Adviser is of the opinion that the VIE Contracts do not violate the PRC laws, rules and regulations applicable to the business of the Target Group and would not be deemed as "concealing illegal intentions with a lawful form" and void under the PRC contract law. The VIE Contracts to be entered into by the Target Group are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations except certain terms of the VIE Contracts as set out in the paragraph headed "Risk factors in relation to the VIE Contracts – Certain terms of the VIE Contracts may not be enforceable under PRC laws" below. The Directors therefore believe that save as disclosed, the VIE Contracts are enforceable under the relevant laws and regulations in the PRC, and that the VIE Contracts will provide a mechanism that enables the Target Company to exercise effective control over the VIE Company. After discussion with the PRC Legal Advisers, the Directors confirm that the VIE Contracts are in full compliance with the Guidance Letter HKEx-GL77-14 of the Stock Exchange, where applicable.

Manner of settlement of disputes which may arise from the VIE Contracts

Dispute Resolutions

The VIE Contracts contain dispute resolution clauses that (i) provide for arbitration and that arbitrators may award remedies over the equity interests or assets of the VIE Company, injunctive relief or order the winding up of the VIE Company, and (ii) provide the courts of competent jurisdictions with the power to grant interim remedies in support of the arbitration pending formation of the arbitration panel. The courts of Hong Kong, the British Virgin Islands (the place of incorporation of the Target Company) and the Cayman Islands (the place of incorporation of the Company), the place of incorporation of the VIE Company, the place where the Target Company's principal assets are located and the place where the VIE Company's principal assets are located have been specified as having jurisdiction for this purpose.

Succession

The provisions set out in the VIE Contracts are also binding on the successors of the PRC Equity Owner, as if the successor was a signing party to the VIE Contracts. Although the VIE Contracts do not specify the identity of successors to such PRC Equity Owner, under the succession law of the PRC, the statutory successors include the spouse, children, parents, brothers, sisters, paternal grandparents and the maternal grandparents and any breach by the successors would be deemed to be a breach of the VIE Contracts.

Liquidation

Pursuant to the Business Cooperation Agreement, in the event of dissolution or liquidation of the VIE Company, the WFOE or WFOE's nominee shall be authorized, on behalf of the PRC Equity Owner, to appoint a liquidator of the VIE Company. The PRC Equity Owner shall further agree to sell or otherwise dispose the whole or part of their equity interest or assets and undertake that, all the proceeds obtained therefrom shall be transferred, at nil consideration, to the WFOE and/or the Company's nominee.

INTERNAL CONTROL MEASURES TO BE IMPLEMENTED BY THE GROUP

The VIE Contracts contained certain provisions in order to exercise effective control over and to safeguard the assets of the VIE Company. The Company will publish the VIE Contracts at its website (http://www.hs-pack.com) to promote transparency. The Company will also comply with the disclosure requirements under paragraph 20 of Guidance Letter HKEx-GL77-14 issued by the Stock Exchange to keep Shareholders informed of the VIE Company's business in the Company's annual reports.

In addition to the internal control measures as provided in the VIE Contracts, it is the intention of the Company, through the WFOE to adopt additional internal control measures against the VIE Company as appropriate, having regard to the internal control measures to be adopted by the Group from time to time, which may include but not limited to:–

Management controls

i. The Group will appoint a representative (the "**Representative**") to act as the sole executive director of the VIE Company. The Representative is required to conduct weekly reviews on the operations of the VIE Company and shall submit the weekly reviews to the Board. The Representative is also required to check the authenticity of the monthly management accounts of the VIE Company;

ii. The Representative shall station at the VIE Company and shall be actively involved in various aspects of the daily managerial and operational activities of the VIE Company;

iii. The Representative shall report any major events of the VIE Company to the company secretary of the Company (the "**Company Secretary**"), who must in turn report to the Board;

iv. The Company Secretary shall conduct regular site visits to the VIE Company and conduct personnel interviews quarterly and submit reports to the Board; and

v. All seals, chops, incorporation documents and all other legal documents, to the extent permitted by the PRC law, of the VIE Company must be kept at the office of the WFOE.

Financial controls

i. The financial controller of the Company (the "**FC**") shall collect monthly management accounts, bank statements and cash balances and major operational data of the VIE Company for review. Upon discovery of any suspicious matters, the FC must report to the Company Secretary, who shall in turn report to the Board;

ii. If the payment of the service fees from the VIE Company to WFOE is delayed, the FC must meet with the shareholder of the VIE Company to investigate, and should report any suspicious matters to the Board. In extreme cases, the registered shareholder(s) of the VIE Company will be removed and replaced.

iii. The VIE Company must submit copies of latest bank statements for every bank accounts of the VIE Company within 15 days after the end of each month; and

iv. The VIE Company must assist and facilitate the Company to conduct quarterly on-site internal audit on the VIE Company.

Board's view on the VIE Contracts

Based on the above, the Board is of the view that the VIE Contracts are carefully crafted to achieve the VIE Company's business purpose and to minimize the potential conflicts with and are enforceable under the relevant PRC laws and regulations. The VIE Contracts enable the WFOE to gain control over the VIE Company, and to be entitled to the economic interests and benefits of VIE Company. The VIE Contracts also provide that the WFOE will unwind the VIE Contracts as soon as relevant PRC rules and regulations governing foreign investment in value-added telecommunications business and the internet cultural business are issued which allow the WFOE to register itself as shareholder of the VIE Company.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, the VIE Company have not encountered any interference or encumbrance from any governing bodies in operating its business.

RISK FACTORS IN RELATION TO THE VIE CONTRACTS

There is no assurance that the VIE Contracts could comply with future changes in the regulatory requirements in the PRC and the PRC government may determine that the VIE Contracts do not comply with applicable regulations

Despite there is currently no indication that the VIE Contracts will be interfered or objected by any PRC regulatory authorities, the PRC Legal Adviser has advised that there is a possibility that the relevant PRC regulatory authorities may have different opinions on the interpretation of the relevant regulations and would not agree that the VIE Contracts comply with the current PRC laws, regulations or rules or those that may be adopted in future, and the authorities may deny the validity, effectiveness and enforceability of the VIE Contracts.

On 19 January 2015, the MOFCOM published the Draft Law pursuant to which foreign companies gaining control over domestic companies via contractual arrangement such as the VIE Contracts will be regarded as foreign investments and will be governed by the Draft Law when it is adopted and becomes law. According to the PRC Legal Adviser, the Draft Law is currently in consultation stage and has not yet been effective or legally binding. As there are uncertainties on the final content and interpretations of the Draft Law, there is no assurance that the VIE Contracts will comply with the Draft Law when it is adopted and becomes law. If the PRC regulatory authorities deny the validity, effectiveness and enforceability of the VIE Contracts, the Group would lose control of the VIE Company, and would be unable to consolidate the financial results of the VIE Company, or properly safeguard, awarded or control the assets of the VIE Company, which would, in turn, result in a material adverse effect on the Group's business, financial condition and results of operations.

In order to continuously monitor the development of the Draft Law to assess the possible impact on the VIE Contracts and the business of the VIE Company, the Board will monitor the updates of the Draft Law and discuss with the PRC Legal Adviser on a regular basis. In case there would be material impact on the Group or the business of the VIE Company, the Company will timely publish announcements in relation to material developments of and arising from the Draft Law.

As advised by the PRC Legal Adviser, since the Seller and Ms. Zheng are PRC nationals and after the Completion, the Seller and Ms. Zheng would hold approximately 28.21% and 36.62% interest in the Company respectively. The Seller and Ms. Zheng, both of whom are PRC nationals, would jointly hold not less than 50% voting rights of the Company. Under the Draft Law, "control" means (a) direct or indirect holding of 50% or more of equity, voting rights or similar interests; (b) less than 50% equity, voting rights or similar interest, but has the right to appoint a majority of the board or has sufficient voting right to have a "material influence" on voting at shareholders or board meetings; or (c) "decisive influence" over the business operations, financial affairs, HR and technology through contractual, trust or other arrangements. As further advised by the PRC Legal Adviser, the Draft Law does not require the PRC investors (when there are more than one PRC investor), who are jointly holding more than 50% interests in a company, (i) to be parties acting in concert; or (ii) to have an agreement or understanding to actively cooperate in order to constitute "control" of the company for the purposes of the Draft Law.

Pursuant to the "Provisions on Guiding Direction of Foreign Investment"（指導外商投資方向規定）issued by the State Council of the People's Republic of China on 11 February 2002, "PRC parties with a controlling interest"（中方控股）means PRC investors holding more than 51% interests in a foreign investment project. Furthermore, "PRC parties with relative controlling interest"（中方相對控股）means PRC investors whose interests in a foreign investment project are higher than any one foreign investor. As such, the PRC legal advisers are of the view that, based on the current relevant PRC laws on foreign investment, the meaning of "controlling interest" does not follow a restrictive interpretation requiring the relevant PRC investors to be acting in concert. The test should be based on an arithmetic aggregation of the interests held by the PRC investors, instead of whether or not the PRC investors are parties acting in concert or have an agreement to consolidate control of the VIE Company.

The PRC Legal Adviser confirmed that after Completion, Ms. Zheng and the Seller are likely to be deemed by the foreign investment administrative department of the PRC（外國投資主管部門）(the "**Foreign Investment Administrative Department**") as to be in "control" of the VIE Company; and the VIE Company is very likely to be deemed by the Foreign Investment Administrative Department as a "foreign investment enterprise under actual control of PRC investors" under the Draft Law.

The VIE Contracts may not be as effective as direct ownership in providing control over the VIE Company

The Group relies on contractual arrangements under the VIE Contracts with the VIE Company to operate the mobile game business in the PRC. These contractual arrangements may not be as effective in providing the Group with control over the VIE Company as direct ownership.

The PRC Equity Owner may potentially have a conflict of interests with the Group

The Group's control over the VIE Company is based on the contractual arrangement under the VIE Contracts. Therefore, conflict of interests of the PRC Equity Owner will adversely affect the interests of the Company. Pursuant to the Shareholders' Voting Right Entrustment Agreement, the PRC Equity Owner will irrevocably authorize WFOE (or its director or successor or receiver) as his representative to exercise the voting rights of the shareholders of the VIE Company. Therefore, it is unlikely that there will be potential conflict of interests between the Company and the PRC Equity Owner. However, in the unlikely event that conflict of interests arises and cannot be resolved, the Company will consider removing and replacing the PRC Equity Owner.

The contractual arrangements may be subject to scrutiny of the PRC tax authorities and transfer pricing adjustments and additional tax may be imposed

The Group could face material adverse tax consequences if the PRC tax authorities determine that the arrangements under the VIE Contracts was not entered into based on arm's length negotiations. If the PRC tax authorities determine that these agreements were not entered into on an arm's length basis, they may adjust income and expenses of the WFOE for PRC tax purposes in the form of a transfer pricing adjustment. A transfer pricing adjustment could adversely affect the Group's financial position by increasing the relevant tax liability of the WFOE without reducing the tax liabilities of the VIE Company, and this could further result in late payment fees and other penalties to the VIE Company for under-paid taxes. As a result, any transfer pricing adjustment could have a material adverse effect on the Group's financial position and results of operations.

Certain terms of the VIE Contracts may not be enforceable under PRC laws

The VIE Contracts provides for dispute resolution by way of arbitration in accordance with the arbitration rules of the Arbitration Commission. The VIE Contracts contain provisions to the effect that the arbitrators may award remedies over the shares and/or assets of the VIE Company, injunctive reliefs (such as mandatory transfer of assets) and/or winding up of the VIE Company. In addition, the VIE Contracts contain provisions to the effect that courts in Hong Kong, the Cayman Islands, the BVI, the place of incorporation of the VIE Company, the place where the Target Company's assets are located and the place where the VIE Company's principal assets are located are empowered to grant interim remedies in supporting of the arbitration pending the formation of an arbitral tribunal.

However, the PRC Legal Adviser has advised that the abovementioned provisions contained in the VIE Contracts may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief or provisional or final liquidation order to preserve the assets of or any equity interest in the VIE Company nor does the arbitral body has the power to wind-up the VIE Company under the PRC Laws in case of disputes. Therefore, such remedies may not be available, notwithstanding the relevant contractual provisions contained in the VIE Contracts. Furthermore, notwithstanding the relevant contractual provisions contained in the VIE Contracts, courts in Hong Kong, the Cayman Islands, the BVI, the place of incorporation of the VIE Company, the place where the Target Company's assets are located and the place where the VIE Company's principal assets are located are empowered to grant interim remedies only to the extent of the permission of PRC Laws. Therefore, such interim remedies may not be available under PRC Laws either.

A substantial amount of costs and time may be involved in transferring the ownership of the VIE Company to the Group under the Exclusive Option Agreement

The Exclusive Option Agreement grants the WFOE or its designee a right to acquire part or all of the equity interest or part or all of the assets of the VIE Company at the lowest price permitted by PRC law. Nevertheless, such rights can only be exercised by the WFOE as and when permitted by the relevant PRC laws and regulations, in particular, when there are no limitations on foreign ownership in PRC companies that engage in mobile gaming business. In addition, a substantial amount of costs and time may be involved in transferring the ownership or assets of the VIE Company to the WFOE if it chooses to exercise the exclusive right to acquire all or part of the equity interest and assets in the VIE Company under the Exclusive Option Agreement, which may have a material adverse impact on the Group's business, prospects and results of operation.

The Company does not have any insurance which covers the risks relating to the VIE Contracts and the transactions contemplated thereunder

The insurance of the Group does not cover the risks relating to the VIE Contracts and the transactions contemplated thereunder and the Company has no intention to purchase any new insurance in this regard. If any risk arises from the VIE Contracts in the future, such as those affecting the enforceability of the VIE Contracts and the relevant agreements for the transactions contemplated thereunder and the operation of VIE Contracts, the results of the Group may be adversely affected. However, the Group will monitor the relevant legal and operational environment from time to time to comply with the applicable laws and regulations.

The Group may bear economic risk which may arise from difficulties in the operation of the VIE Company

As the primary beneficiary of the VIE Company, the Group will bear economic risks which may arise from difficulties in the operation of the VIE Company's business. However, under the VIE Contracts, the Group will not be obligated to share the losses of the VIE Company nor will the Group to obligated to provide financial support to the VIE Company in any circumstances. The Group may decide and resolve, at its sole and absolute discretion, to provide financial support to the VIE Company in any manner permitted by relevant PRC laws in order to maintain the VIE Company's sound operations.

INFORMATION OF THE PARTIES TO THE ACQUISITION

The Group is principally engaged in the design, manufacture, printing and sale of paper-based packaging products.

On 4 August 2015, Mr. Sun, the founder of the Group and a Director, travelled to Fujian Province for a business trip and met the Seller. After being introduced by the Seller about the VIE Company, Mr. Sun showed his interest in the Seller's mobile gaming business, which led to further discussion on the potential Acquisition. During the time, no other potential sellers of similar business were brought to the attention of the Directors.

To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, the Seller, Mr. Peng Dongmiao, is an independent third party.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition are more than 25% but less than 100%, the Acquisition constitutes a major transaction for the Company and is therefore subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best knowledge, information and belief of the Directors, having made all reasonable enquiries, as at the Latest Practicable Date, there was (i) no voting trust or other agreement or arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder; and (ii) no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his Shares to a third party, either generally or on a case-by-case basis. Accordingly, to the best knowledge, information and belief of the Directors, as at the Latest Practicable Date, there existed no discrepancy between any Shareholder's beneficial shareholding interest in the Company and the number of Shares in respect of which such Shareholder will control or will be entitled to exercise control over the voting right at the EGM in respect of the resolution approving the transactions contemplated under the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the Specific Mandate.

EGM

The notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular. At the EGM, ordinary resolutions will be proposed to approve the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the Specific Mandate.

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

In accordance with Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the EGM shall be conducted by way of poll and the results of the EGM will be announced by the Company in compliance with the Listing Rules.

RECOMMENDATIONS

The Directors consider that the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the Specific Mandate are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Share Purchase Agreement (as supplemented by the Supplemental Agreement) and the Specific Mandate.

In accordance with the Listing Rules, any Shareholder with a material interest in the Acquisition and the Specific Mandate and his close associates will abstain from voting on the relevant resolutions. To the best knowledge of the Directors, no Shareholder has a material interest in the Acquisition and the Specific Mandate and is required to abstain from voting in respect of the approval of the Acquisition and the Specific Mandate at the forthcoming EGM.

GENERAL INFORMATION

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

Yours faithfully,
For and on behalf of the Board
China Packaging Holdings Development Limited
Chen Wei Wei
Chairman

FINANCIAL INFORMATION INCORPORATED BY REFERENCE

Financial information and management discussion and analysis of the Group for each of the three years ended 31 December 2012, 2013 and 2014 and the six months ended 30 June 2015 are disclosed in the following documents which have been published on the websites of the Stock Exchange (http://www.hkexnews.hk) and the Company (www.hs-pack.com).

The unaudited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 30 June 2015 have been set out in pages 15 to 38 and pages 4 to 10 respectively of the interim report 2015 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the interim report 2015:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0921/LTN20150921261.pdf

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2014 have been set out in pages 28 to 79 and pages 14 to 19 respectively of the annual report 2014 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2014:

http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0420/LTN20150420555.pdf

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2013 have been set out in pages 27 to 32 and pages 13 to 18 respectively of the annual report 2013 of the Company which are incorporated by reference into this circular and are available on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the annual report 2013:

http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0416/LTN20140416949.pdf

The audited consolidated financial statements, including the notes thereto, and the management discussion and analysis of the Group for the year ended 31 December 2012 have been set out in pages I-1 to I-53 and pages 191 to 235 respectively of the prospectus of the Company dated 27 December 2013 which are incorporated by reference into this circular and are available on the Stock Exchange's website (http://www.hkexnews.hk). Please also see below quick link to the Company's' prospectus:

http://www.hkexnews.hk/listedco/listconews/SEHK/2013/1227/LTN20131227005.pdf

STATEMENT OF INDEBTEDNESS

At the close of business on the 31 December 2015, the statement of indebtedness of the Group is set out as below:

(i) The Group's total borrowings include:

a. borrowings carrying amount of approximately RMB 123,970,000.00

b. bills payables carrying amount of approximately RMB 23,850,000

c. promissory notes principal amount of approximately RMB 80,000,000.00

d. convertible notes principal amount of approximately RMB 20,000,000.00

(ii) the Group's capital commitments were approximately RMB67,880,000. All the capital commitments were related to capital contribution payable to subsidiaries; and

(iii) the Group pledged certain assets with a carry value of approximately RMB111,903,000 as collateral for the Group's bills payable and bank borrowings.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Enlarged Group did not have outstanding at the close of business on 31 December 2015 any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptance credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

WORKING CAPITAL SUFFICIENCY

The Directors are of the opinion that, after taking into account the financial resources available to the Company and the effect of the Acquisition, the Enlarged Group has sufficient working capital to satisfy its requirements for at least the next 12 months following the date of this circular.

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 of the Group since 31 December 2014, the date to which the latest published audited financial statements of the Group were made up.

FINANCIAL AND TRADING PROSPECTS OF THE GROUP

As at the Latest Practicable Date, the Group is principally engaged in the design, manufacture, printing and sale of paper-based packaging products. As disclosed in the interim report 2015, with the satisfactory and steady performance of the 4 new production lines (2 new printing production lines, 1 corrugated paperboard production line and 1 stone paper production line) established in late 2014, the Group's performance has achieved steady growth during the six months ended 30 June 2015 as compared to the corresponding period from last year amidst the increasing competitive market condition. In respect of paper-based packaging products business, the Group will continue to increase its capacity, improve its production efficiency as well as improving and upgrading its existing production facilities. The Group will expand its distribution network, strengthen its cooperation with customers and understand the different requirements of its customers and the diversified market demand, thereby improving the product mix in order to increase sales. Furthermore, the Group will continue to make great efforts to improve its R&D capability with a view to developing new materials and applications for its product. For the existing packaging business, the Company expects the capital expenditure requirement in 2016 to be approximately RMB50,000,000.

Whilst the Group will continue to strive to be a leading manufacturer of high quality paper-based packaging products in the PRC and keep focusing on the design, manufacture and printing of paper-based packaging products with precision for packaging of a variety of products and at the same time, develop its new packaging products with the use of stone paper, the Group is also proactively seeking for potential investment opportunities through potential acquisitions or joint ventures to diversify its existing business portfolio into new line of business with growth potential, to broaden its source of income, and eventually to enhance the value of the Shareholders.

The Acquisition enables the Group to tap into the mobile games business, which has experienced rapid growth in China in recent years with the unprecedented growth of smartphone users and the growth is expected to continue in the coming years driven by the rapid growth of smartphone penetration. Details of the growth of the mobile game business are disclosed in the sections headed "Reasons for and benefits of entering into the Share Purchase Agreement" under the "Letter from the Board" to this circular.

Following Completion, members of the Target Group will become members of the Group and the Group will be engaged in two different lines of business, namely (i) the design, manufacture, printing and sale of paper-based packaging products and (ii) the research, development, distribution and operation of mobile gaming products. The Directors are optimistic about the prospects of these two lines of business as a result of the economic growth in the PRC. In addition to focusing on the these two lines of business, the Directors will also continue to cautiously identify suitable investment opportunities for the Group to diversify its businesses and provide additional growth drivers if any such opportunities arise in the future.

The following is the text of a report, prepared for inclusion in this Circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 February 2016

The Board of Directors
China Packaging Holdings Development Limited
Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhart Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information of Cable King Limited (the "Target Company"), comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows of the Target Company for period from 15 July 2015 (date of incorporation) to 30 September 2015 (the "Track Record Period"), and the statement of financial position of the Target Company at 30 September 2015, together with the notes thereto (the "Financial Information") for inclusion in the Circular of the China Packaging Holdings Development Limited (the "Company") dated 29 February 2016 (the "Circular") in connection with the Company's proposed acquisition of the entire issued capital of the Target Company (the "Acquisition").

The Target Company was incorporated in the British Virgin Islands (the "BVI") on 15 July 2015 as a limited liability company and adopted 31 December as its financial year end date.

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation as there are no statutory requirements for the Target Company to prepared audited financial statements.

For the purpose of this report, the directors of the Target Company have prepared the financial statements of the Target Company (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rule Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. The Financial Information were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA. The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Target Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Target Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The directors of the Company (the "Directors") are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the HKFRSs and the disclosures requirements of the Listing Rules and the Hong Kong Companies Ordinance and the contents of the circular in which this report is included.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Financial Information for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information for the Track Record Periods, for the purpose of this report, gives a true and fair view of the state of affairs of the Target Company at 30 September 2015 and of the results and cash flows of the Target Company for the Track Record Periods.

I. FINANCIAL INFORMATION

Statement of Profit or Loss and Other Comprehensive Income

	Notes	From 15 July 2015 to 30 September 2015 HKD'000
Revenue	8	–
Administrative expenses		–
Profit before taxation	10	–
Taxation	11	–
Profit for the period		–
Other comprehensive income for the year, net of tax:		–
Total comprehensive income for the year		–
Profit for the year attributable to:		
Owners of the Target Company		–
Total comprehensive income for the year attributable to:		
Owners of the Target Company		–

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position

		At 30 September 2015
	Notes	*HKD'000*
Current assets		
Amounts due from a shareholder	*14*	–
Net assets		–
Capital and reserves		
Share capital	*15*	–
Reserves		–
Total equity		–

The accompanying notes form an integral part of the Financial Information.

Statement of Changes in Equity

	Share capital *HKD'000*	Retained earning *HKD'000*	Total equity *HKD'000*
As at 15 July 2015 (date of incorporation)	–	–	–
Issue of share capital	–	–	–
Other comprehensive income for the period	–	–	–
As at 30 June 2015	–	–	–

Statement of Cash Flows

	From 15 July 2015 to 30 September 2015
	HKD'000
Operating activities	
Profit before taxation	–
Operating cash flows before movements in working capital	–
Increase in amount due from a shareholder	–
Net cash generated from operating activities	–
Financing activities	
Issue of share	–
Net cash generated from financing activities	–
Cash and cash equivalents at the beginning of the year	–
Cash and cash equivalents at the end of the year	–

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Target Company was incorporated in British Virgin Islands (the "BVI") on 15 July 2015, as a limited liability company under the BVI Business Companies Act, 2004. The registered office of the Target Company is located at 263 Main Street, Road Town, Tortola, British Virgin Islands.

The Target Company is principally engaged in the investment holdings.

2. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

For the purpose of preparing the Financial Information, the Target Company has consistently applied all the new and revised HKFRSs which are effective for the Target Company's from 15 July 2015 throughout the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period.

The adoption of the new and revised HKFRSs effective for the financial period beginning on 15 July 2015 has no material effect on the Financial Information for the current and prior period.

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Target Company has not early applied these Standards, Amendments or Interpretations during the Track Record Period.

HKFRS 9	Financial Instruments [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception [1]
HKFRS 14	Regulatory Deferral Accounts [3]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements [1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs [1]

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Target Company

The management is in the process of assessing the potential impact of these new and revised standards, amendments and interpretations that are not yet effective on the results and financial position of the Target Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared under the historical cost convention, except for certain financial instruments that are measured at their fair values at the end of reporting period. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand except when otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Target Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by disclosure requirements of the Hong Kong Companies Ordinance.

Foreign currencies

The functional currency of the Target Company is Hong Kong dollars. The financial statements are presented in Hong Kong dollars which is the currency of the primary economic environment in which the Target Company operates.

In preparing the financial statements of the Target Company, transactions in currencies other than the presentation currency of the Target Company (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Target Company operates) at the rates of exchanges prevailing on the dates of the transactions. For the Track Record Period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Target Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted for the Track Record Period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Current or deferred tax is charged or credited to other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Impairment of tangible assets other than goodwill

At the end of the reporting period, the Target Company reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Target Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

Provisions and contingent liabilities

Provisions are recognised when the Target Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Target Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

When the cost of services to fulfill the obligation under the contract exceeds the revenue, a provision for onerous contracts would be made. In estimating the amount by which the cleaning cost are expected to exceed the revenue, management takes into account the cost of fulfilling the obligation under the contract and any compensation or penalties arising from failure to fulfill it, which is the lower will be recognised as the unavoidable costs.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Target Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss and other comprehensive income.

Financial assets

The Target Company's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated at financial assets at fair value through profit or loss.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments hat are not quoted in an active market. Loan and receivables (including amount due from a shareholder) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial reorganization; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Target Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Target Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Target Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Target Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Target Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Target Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Target Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Target Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated at financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Target Company derecognises financial liabilities when, and only when, the Target Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Target Company's chief operating decision-maker for the purpose of allocating resources to, and assessing the performance of, the Target Company's various lines of business and geographical locations.

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

Related parties

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

(1) has control or joint control over the Target Company

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

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

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

(1) the entity and the Target Company are members of the same Target Company (which means that each parent, subsidiary and follow subsidiary is related to the others).

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Target Company of which the other entity is a member).

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

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

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

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

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

Close family members of an individual are those family members who may be expected to influence by that person in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Target Company's accounting policies, which are described in Note 3 of Section II, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of non-financial assets

The Target Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income taxes

The Target Company is subject to income taxes in PRC, Hong Kong and Korea. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Target Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

5. SEGMENT INFORMATION

As per HKFRS 8 "Operating Segments", no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown as the Target only engages in investment holding.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 30 September 2015
	HKD'000
Financial assets	
Loan and receivables (including cash and bank balances)	–

(b) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk

The Target Company operates and conducts business in the Hong Kong and most the Target Company's transactions, assets and liabilities are primarily denominated in HKD, which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

No sensitivity analysis on foreign currency risk is performed since the Group's has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

(ii) Interest rate risk management

The Target does not have significant interest-bearing assets or liabilities. As a result, the Target's results and operating cash flows are substantially independent of changes in market interest rate.

The Target Company considers that there is no significant cash flow interest rate risk and fair value interest rate risk as the Target Company does not have variable rate and fixed rate borrowings. The Target Company did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Target Company's exposure to market risk for changes in interest rates relates primarily to the bank balances. Floating-rate interest income is charged to the statement of profit or loss and other comprehensive income as incurred.

Credit risk

The Target is not exposed to credit risk in the event of the counterparties' failure to perform their obligations at Track Record Period in relation to the recognised financial asset is the carrying amount of those assets as stated in the statement of financial position.

Concentration risk

The Company did not subject to concentration risk.

Liquidity risk

The Target Company has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Target Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(c) Fair value of financial instruments

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the financial statements that are not measured at fair value on a recurring basis approximate their fair values.

There were no transfers between Levels 1 and 2 as defined in Note 3 of Section II during the Track Record Period.

7. CAPITAL RISK MANAGEMENT

The primary objectives of the Target Company's capital management are to safeguard the Target Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Target Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure the Target Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

8. REVENUE

The Target did not generate any revenue during the Track Record Period.

9. DIRECTORS' REMUNERATION

No director received any fee or emolument in respect of their services rendered to Target Company during the Track Record Period.

10. PROFIT BEFORE TAXATION

No auditors' remuneration and employees' emoluments were paid by the Target during the Relevant Period.

11. TAXATION

Hong Kong Profits tax

No Hong Kong profit tax has been provided because Target Company did not have any assessable profits arising in Hong Kong during the Track Record Periods.

The income tax expenses for the year can be reconciled to the profit before taxation per the statement of profit or loss and other comprehensive income as follows:

	From 15 July 2015 to 30 September 2015 *HKD'000*
Profit before taxation	–
Notional tax on profit before taxation, calculated at Hong Kong Profit tax rate at 16.5%	–
Tax losses not recognised	–
Income tax (benefit)/expenses	–

12. DIVIDENDS

No dividend has been paid or proposed by the Target Company during the Track Record Period.

13. EARNINGS PER SHARE

Profit per share have not been presented as such information is not meaningful having regard to the purpose of this report.

14. AMOUNTS DUE FROM A SHAREHOLDER

The amount due from a shareholder was unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

	No. of shares	Par value	Share Capital
		USD	*HKD'000*
Authorised share capital	50,000	1	390
Issued share capital *(Note)*	1	1	–

Note: At 30 September 2015, 1 share at USD1 was issued. Other than the issue of share, the director of the Target Company confirmed that no movement in the equity.

16. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, except for the amount due from a shareholder as disclosed in Note 14, the Target Company had also entered the following material transactions with related parties during the Track Record Period.

Compensation paid to key management personnel of the Target Company represented are disclosed in Note 9 to the Financial Information.

17. EVENT AFTER THE REPORTING PERIOD

On 12 October 2015, the The Target Company acquired the entire issued capital of Wealthy Top (China) Limited in aggregate principal amount of HK$1. The Target Company is in the process to assess the fair value of Wealthy Top (China) Limited. Since the assessment is still in progress, the Target Company is unable to measure any possible goodwill or gain from bargain purchase as at the date of completion. Therefore, the directors of the Target Company considered that it is not practicable to disclose the financial information of Wealthy Top (China) Limited on the completion date at this stage.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company or any of the companies comprising the Target Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong

The following is the text of a report, prepared for inclusion in this Circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 February 2016

The Board of Directors
China Packaging Holdings Development Limited
Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhart Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information of Wealthy Top (China) Limited (the "Hong Kong Company"), comprising the statement of profit or loss and other comprehensive income, the statement of changes in equity, and the statement of cash flows of the Hong Kong Company for period from 27 May 2015 (date of incorporation) to 30 September 2015 (the "Track Record Period"), and the statement of financial position of the Hong Kong Company at 30 September 2015, together with the notes thereto (the "Financial Information") for inclusion in the Circular of the China Packaging Holdings Development Limited (the "Company") dated 29 February 2016 (the "Circular'') in connection with the Company's proposed acquisition of the entire issued capital of the Cable King Limited (the "Acquisition").

The Hong Kong Company was incorporated in Hong Kong on 27 May 2015 as a limited liability company and adopted 31 December as its financial year end date.

As at date of this report, no statutory financial statements have been prepared for the Hong Kong Company since its date of incorporation.

For the purpose of this report, the directors of the Hong Kong Company have prepared the financial statements of the Hong Kong Company (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. The Financial Information were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA. The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the Hong Kong Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors of the Hong Kong Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The directors of the Company (the "Directors") are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the HKFRSs and the disclosures requirements of the Listing Rules and the Hong Kong Companies Ordinance and the contents of the circular in which this report is included.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Financial Information for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report, gives a true and fair view of the state of affairs of the Hong Kong Company at 30 September 2015 and of the results and cash flows of the Hong Kong Company for the Track Record Period.

I. FINANCIAL INFORMATION

Statement of Profit or Loss and Other Comprehensive Income

	Notes	From 27 May 2015 to 30 September 2015 HKD'000
Revenue	8	–
Administrative expenses		–
Profit before taxation	10	–
Taxation	11	–
Profit for the period		–
Other comprehensive income for the year, net of tax:		–
Total comprehensive income for the year		–
Profit for the year attributable to:		
Owners of the Hong Kong Company		–
Total comprehensive income for the year attributable to:		
Owners of the Hong Kong Company		–

The accompanying notes form an integral part of the Financial Information.

Statement of Financial Position

	Notes	**At 30 September 2015** *HKD'000*
Current assets		
Amounts due from a shareholder	*14*	–
Net assets		–
Capital and reserves		
Share capital	*15*	–
Reserves		–
Total equity		–

The accompanying notes form an integral part of the Financial Information.

Statement of Changes in Equity

	Share capital *HKD'000*	**Retained earning** *HKD'000*	**Total equity** *HKD'000*
As at 27 May 2015 (date of incorporation)	–	–	–
Issue of share capital	–	–	–
Other comprehensive income for the period	–	–	–
As at 30 June 2015	–	–	–

Statements of Cash Flows

	From 27 May 2015 to 30 September 2015
	HKD'000
Operating activities	
Profit before taxation	–
Operating cash flows before movements in working capital	–
Increase in amount due from a shareholder	–
Net cash generated from operating activities	–
Financing activities	
Issue of share	–
Net cash generated from financing activities	–
Cash and cash equivalents at the beginning of the year	–
Cash and cash equivalents at the end of the year	–

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The Hong Kong Company was incorporated in Hong Kong on 27 May 2015, as a limited liability company. The registered office of the Hong Kong Company is located at 42nd Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong.

The Hong Kong Company is principally engaged in the investment holdings.

2. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

For the purpose of preparing the Financial Information, the Hong Kong Company has consistently applied all the new and revised HKFRSs which are effective for the Hong Kong Company's from 27 May 2015 throughout the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period.

The adoption of the new and revised HKFRSs effective for the financial period beginning on 27 May 2015 has no material effect on the Financial Information for the current and prior period.

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The Hong Kong Company has not early applied these Standards, Amendments or Interpretations during the Track Record Period.

HKFRS 9	Financial Instruments [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception [1]
HKFRS 14	Regulatory Deferral Accounts [3]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements [1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs [1]

[1] Effective for annual periods beginning on or after 1 January 2016

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

[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Hong Kong Company

The management is in the process of assessing the potential impact of these new and revised standards, amendments and interpretations that are not yet effective on the results and financial position of the Hong Kong Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values at the end of each reporting period. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Hong Kong dollars ("HKD") and all values are rounded to the nearest thousand except when otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Hong Kong Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by disclosure requirements of the Hong Kong Companies Ordinance.

Foreign currencies

The functional currency of the Hong Kong Company is Hong Kong dollars. The financial statements are presented in Hong Kong dollars which is the currency of the primary economic environment in which the Hong Kong Company operates.

In preparing the financial statements of the Hong Kong Company, transactions in currencies other than the presentation currency of the Hong Kong Company (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the Hong Kong Company operates) at the rates of exchanges prevailing on the dates of the transactions. For the Track Record Period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Hong Kong Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted for the Track Record Period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Current or deferred tax is charged or credited to other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Impairment of tangible assets other than goodwill

At the end of the reporting period, the Hong Kong Company reviews the carrying amounts of its tangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Recoverable amount is the higher of fair value less costs to sell and value in use. When it is not possible to estimate the recoverable amount of an individual asset, the Hong Kong Company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

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 for which the estimates of future cash flows have not been adjusted.

Provisions and contingent liabilities

Provisions are recognised when the Hong Kong Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Hong Kong Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

When the cost of services to fulfill the obligation under the contract exceeds the revenue, a provision for onerous contracts would be made. In estimating the amount by which the cleaning cost are expected to exceed the revenue, management takes into account the cost of fulfilling the obligation under the contract and any compensation or penalties arising from failure to fulfill it, which is the lower will be recognised as the unavoidable costs.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Hong Kong Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss and other comprehensive income.

Financial assets

The Hong Kong Company's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated at financial assets at fair value through profit or loss.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments hat are not quoted in an active market. Loan and receivables (including amount due from a shareholder) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial reorganization; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Hong Kong Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The Hong Kong Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Hong Kong Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Hong Kong Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the Hong Kong Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Hong Kong Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the Hong Kong Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Hong Kong Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated at financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Hong Kong Company derecognises financial liabilities when, and only when, the Hong Kong Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the Hong Kong Company's chief operating decision-maker for the purpose of allocating resources to, and assessing the performance of, the Hong Kong Company's various lines of business and geographical locations.

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

Related parties

(i) A person, or close member of that person's family, is related to the Hong Kong Company if that person:

(1) has control or joint control over the Hong Kong Company;

(2) has significant influence over the Hong Kong Company; or

(3) is a member of the key management personnel of the Hong Kong Company or the Hong Kong Company's parent.

(ii) An entity is related to the Hong Kong Company if any of the following conditions applies:

(1) the entity and the Hong Kong Company are members of the same Hong Kong Company (which means that each parent, subsidiary and follow subsidiary is related to the others).

(2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a Hong Kong Company of which the other entity is a member).

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

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

(5) the entity is a post-employment benefit plan for the benefit of employees of either the Hong Kong Company or an entity related to the Hong Kong Company.

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

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

Close family members of an individual are those family members who may be expected to influence by that person in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the Hong Kong Company's accounting policies, which are described in Note 3 of Section II, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Impairment of non-financial assets

The Hong Kong Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Income taxes

The Hong Kong Company is subject to income taxes in PRC, Hong Kong and Korea. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Hong Kong Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

5. SEGMENT INFORMATION

As per HKFRS 8 "Operating Segments", no business analysis and segment reporting information such as segment revenue, results, assets, liabilities and other information are shown as the Target only engages in investment holding.

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 30 September 2015
	HKD'000
Financial assets	
Loan and receivables (including cash and bank balances)	–

(b) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk

The Hong Kong Company operates and conducts business in the Hong Kong and most the Hong Kong Company's transactions, assets and liabilities are primarily denominated in HKD, which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

No sensitivity analysis on foreign currency risk is performed since the Group's has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

(ii) Interest rate risk management

The Target does not have significant interest-bearing assets or liabilities. As a result, the Target's results and operating cash flows are substantially independent of changes in market interest rate.

The Hong Kong Company considers that there is no significant cash flow interest rate risk and fair value interest rate risk as the Hong Kong Company does not have variable rate and fixed rate borrowings. The Hong Kong Company did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The Hong Kong Company's exposure to market risk for changes in interest rates relates primarily to the bank balances. Floating-rate interest income is charged to the statement of profit or loss and other comprehensive income as incurred.

Credit risk

The Target is not exposed to credit risk in the event of the counterparties' failure to perform their obligations at Track Record Period in relation to the recognised financial asset is the carrying amount of those assets as stated in the statement of financial position.

Concentration risk

The Company did not subject to concentration risk.

Liquidity risk

The Hong Kong Company has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The Hong Kong Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

(c) Fair value of financial instruments

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the financial statements that are not measured at fair value on a recurring basis approximate their fair values.

There were no transfers between Levels 1 and 2 as defined in Note 3 of Section II during the Track Record Period.

7. CAPITAL RISK MANAGEMENT

The primary objectives of the Hong Kong Company's capital management are to safeguard the Hong Kong Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Hong Kong Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure the Hong Kong Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

8. REVENUE

The Target did not generate any revenue during the Track Record Period.

9. DIRECTORS' REMUNERATION

No director received any fee or emolument in respect of their services rendered to Hong Kong Company during the Track Record Period.

10. PROFIT BEFORE TAXATION

No auditors' remuneration and employees' emoluments were paid by the Target during the Relevant Period.

11. TAXATION

Hong Kong Profits tax

No Hong Kong profit tax has been provided because Hong Kong Company did not have any assessable profits arising in Hong Kong during the Track Record Period.

The income tax expenses for the year can be reconciled to the profit before taxation per the statement of profit or loss and other comprehensive income as follows:

	From 27 May 2015 to 30 September 2015
	HKD'000
Profit before taxation	–
Notional tax on profit before taxation, calculated at Hong Kong Profit tax rate at 16.5%	–
Tax losses not recognised	–
Income tax (benefit)/expenses	–

12. DIVIDENDS

No dividend has been paid or proposed by the Hong Kong Company during the Track Record Period.

13. EARNINGS PER SHARE

Profit per share have not been presented as such information is not meaningful having regard to the purpose of this report.

14. AMOUNTS DUE FROM A SHAREHOLDER

The amount due from a shareholder was unsecured, interest-free and repayable on demand.

15. SHARE CAPITAL

	Share Capital
	HKD'000
Issued and fully paid:	
1 ordinary share of HK$1 each *(Note)*	–

Note: Other than the issue of share, the director of the Hong Kong Company confirm that in movement on the equity.

16. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed in elsewhere in the Financial Information, except for the amount due from a shareholder as disclosed in Note 14, the Hong Kong Company had also entered the following material transactions with related parties during the Track Record Period.

Compensation paid to key management personnel of the Hong Kong Company represented are disclosed in Note 9 to the Financial Information.

17. EVENT AFTER THE REPORTING PERIOD

On 12 February 2016, 純新(廈門)投資管理有限公司, a wholly foreign owned enterprise established in the People Republic of China with limited liability by the Hong Kong Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Hong Kong Company or any of the companies comprising the Hong Kong Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong

The following is the text of a report, prepared for inclusion in this Circular, received from the independent reporting accountants, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 February 2016

The Board of Directors
China Packaging Holdings Development Limited
Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhart Road
Wanchai, Hong Kong

Dear Sirs,

We set out below our report on the financial information of 冰河(廈門)資訊技術有限公司 (Binghe (Xiamen) Information Technology Company limited) (the "VIE Company"), comprising the statements of profit or loss and other comprehensive income, the statements of changes in equity, and the statements of cash flows of the VIE Company for each of the years ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2015 (the "Track Record Period"), and the statements of financial position of the VIE Company at 31 December 2012, 2013 and 2014 and 30 September 2015, together with the notes thereto (the "Financial Information"), together with the comparative financial information of the VIE Company including the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the nine months ended 30 September 2014 (the "Comparative Financial Information") for inclusion in the Circular of the China Packaging Holdings Development Limited (the "Company") dated 29 February 2016 (the "Circular") in connection with the Company's proposed acquisition of the entire issued capital of the Cable King Limited (the "Target Company") (the "Acquisition").

The VIE Company was incorporated in the PRC on 9 May 2007 as a limited liability company and adopted 31 December as its financial year end date. As of the date of this report, no statutory audited financial statements have been prepared for the VIE Company for the year ended 31 December 2012, 2013 and 2014.

For the purpose of this report, the directors of the VIE Company have prepared the financial statements of the VIE Company (the "Underlying Financial Statements") in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules") and the Hong Kong Companies Ordinance. The

Financial Information were audited by us in accordance with Hong Kong Standards on Auditing issued by HKICPA. The Financial Information set out in this report has been prepared from the Underlying Financial Statements with no adjustments made thereon.

RESPONSIBILITY OF THE DIRECTORS

The directors of the VIE Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with HKFRSs, the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance, and for such internal control as the directors of the VIE Company determine is necessary to enable the preparation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error.

The directors of the Company (the "Directors") are responsible for the preparation of the Financial Information that gives a true and fair view in accordance with the HKFRSs and the disclosure requirements of the Listing Rules and the Hong Kong Companies Ordinance and the contents of the circular in which this report is included.

RESPONSIBILITY OF REPORTING ACCOUNTANTS

For the Financial Information for the Track Record Period, it is our responsibility to form an independent opinion on the Financial Information based on our examination and to report our opinion to you. We examined the Financial Information for the Track Record Period, and carried out such procedures as are necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA.

OPINION

In our opinion, the Financial Information for the Track Record Period, for the purpose of this report, gives a true and fair view of the state of affairs of the VIE Company at 31 December 2012, 31 December 2013 and 2014 and 30 September 2015 and of the results and cash flows of the VIE Company for the Track Record Periods.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have reviewed the unaudited Comparative Financial Information which the directors of the VIE Company and the Company are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. A review consists principally of making enquires of the VIE Company's and the Company's management and applying analytical procedures to the unaudited Comparative Financial Information and based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excluded audit procedures such as test of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the unaudited Comparative Financial Information.

REVIEW CONCLUSION

On the basis of our review which does not constitute an audit, for the purpose of this report, nothing has come to our attention that causes us to believe that the unaudited Comparative Financial Information is not prepared, in all material respects, in accordance with accounting policies set out in note 3 of Section II below which are in conformity with HKFRSs.

I. FINANCIAL INFORMATION

Statements of Profit or Loss and Other Comprehensive Income

		Year ended 31 December			Nine months ended 30 September	
		2012	2013	2014	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
					(unaudited)	
Revenue	*8*	474	3,203	3,867	451	61,978
Cost of sales		–	–	–	–	(30,020)
Gross profits		474	3,203	3,867	451	31,958
Other income and gains	*9*	–	42	12	–	1
Selling and distribution expenses		(558)	(723)	(75)	(68)	(8,244)
Administrative expenses		(1,904)	(2,687)	(3,040)	(2,424)	(5,000)
(Loss)/profit before taxation	*10*	(1,988)	(165)	764	(2,041)	18,715
Taxation	*11*	–	–	–	–	–
(Loss)/profit for the year/ period		(1,988)	(165)	764	(2,041)	18,715
Other comprehensive income for the year/ period, net of tax:						
Items that may be reclassified subsequently to profit or loss:						
Exchange differences on translating foreign operations		–	–	–	–	–
Total comprehensive (loss)/income for the year/period		(1,988)	(165)	764	(2,041)	18,715
(Loss)/profit for the year/ period attributable to:						
Owners of the VIE Company		(1,988)	(165)	764	(2,041)	18,715
Total comprehensive (loss)/income for the year/period attributable to:						
Owners of the VIE Company		(1,988)	(165)	764	(2,041)	18,715

The accompanying notes form an integral part of the Financial Information.

Statements of Financial Position

		At 31 December			At 30 September
		2012	2013	2014	2015
	Notes	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Non-current assets					
Property, plant and equipment	*15*	100	96	46	168
Intangible assets	*16*	–	–	7,150	10,014
		100	96	7,196	10,182
Current assets					
Trade receivables	*17*	60	100	3,405	25,903
Prepayments, deposits and other receivables	*18*	8,889	6,160	5,290	11,999
Amount due from a shareholder	*19*	–	1,755	–	–
Cash and bank balances	*20*	46	80	119	1,626
		8,995	8,095	8,814	39,528
Current liabilities					
Trade payables	*21*	17	9	12	1
Receipt in advance		9	3	–	–
Deferred revenue	*22*	–	–	–	15,651
Accruals, deposits received and other payables	*23*	452	681	2,540	5,002
Amount due to a shareholder	*24*	954	–	5,196	2,079
Income tax payable		–	–	–	–
		1,432	693	7,748	22,733
Net current assets		7,563	7,402	1,066	16,795
Total assets less current liabilities		7,663	7,498	8,262	26,977
Net assets		7,663	7,498	8,262	26,977
Capital and reserves					
Share capital	*25*	10,000	10,000	10,000	10,000
Reserves		(2,337)	(2,502)	(1,738)	16,977
Total equity attributable to the owners of the VIE Company		7,663	7,498	8,262	26,977

The accompanying notes form an integral part of the Financial Information.

Statements of Changes in Equity

	Capital	(Accumulated losses)/ Retained earnings	Total equity
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2012	10,000	(349)	9,651
Loss and total comprehensive loss for the year	–	(1,988)	(1,988)
At 31 December 2012 and 1 January 2013	10,000	(2,337)	7,663
Loss and total comprehensive loss for the year	–	(165)	(165)
At 31 December 2013 and 1 January 2014	10,000	(2,502)	7,498
Profit and total comprehensive income for the year	–	764	764
At 31 December 2014 and 1 January 2015	10,000	(1,738)	8,262
Profit and total comprehensive income for the period	–	18,715	18,715
At 30 September 2015	10,000	16,977	26,977
Period ended 30 September 2014 (Unaudited)			
At 1 January 2014	10,000	(2,502)	7,498
Loss and total comprehensive loss for the period	–	(2,041)	(2,041)
At 30 September 2014	10,000	(4,543)	5,457

The accompanying notes form an integral part of the Financial Information.

Statements of Cash Flows

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Operating activities					
(Loss)/profit before taxation	(1,988)	(165)	764	(2,041)	18,715
Adjustments for:					
Depreciation of property, plant and equipment	20	46	50	38	29
Amortisation of intangible assets	–	–	–	–	1,520
Operating cash flows before movements in working capital	(1,968)	(119)	814	(2,003)	20,264
Increase in trade receivables	(54)	(40)	(3,305)	(12)	(22,498)
Decrease/(increase) in prepayments, deposits and other receivables	1,236	2,729	870	816	(6,709)
Decrease/(increase) in trade payables	(94)	(8)	3	(2)	(11)
Decrease in receipt in advance	(6)	(6)	(3)	(1)	–
Increase in deferred revenue	–	–	–	–	15,651
Increase in accruals, deposits received and other payables	444	229	1,859	1,490	2,462
Increase/(decrease) in amount due from/to a shareholder	557	(2,709)	6,951	5,131	(3,117)
Cash generated from operations	115	76	7,189	5,419	6,042
Income tax paid	–	–	–	–	–
Net cash generated from operating activities	115	76	7,189	5,419	6,042
Investing activities					
Purchase of property, plant and equipment	(114)	(42)	–	–	(151)
Addition of intangible assets	–	–	(7,150)	(5,364)	(4,384)
Net cash used in investing activities	(114)	(42)	(7,150)	(5,364)	(4,535)

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
				(unaudited)	
Net increase in cash and cash equivalent	1	34	39	55	1,507
Cash and cash equivalents at the beginning of the year/period	45	46	80	80	119
Cash and cash equivalents at the end of the year/period	46	80	119	135	1,626
Analysis of the balances of the cash and cash equivalents					
Cash and bank balances	46	80	119	135	1,626

The accompanying notes form an integral part of the Financial Information.

II. NOTES TO THE FINANCIAL INFORMATION

1. GENERAL INFORMATION

The VIE was incorporated in the People Republic of China (the "PRC") on 9 May 2007, as a limited liability company under the Companies Law of PRC. The registered office and principal place of business of the VIE Company is located at 廈門市思明區塔埔東路167號1402單元.

The VIE Company is principally engaged in the research, development, distribution and operation of mobile gaming products.

2. APPLICATION OF NEW AND REVISED STANDARDS, AMENDMENTS AND INTERPRETATIONS

For the purpose of preparing the Financial Information, the VIE Company has consistently applied all the new and revised HKFRSs which are effective for the VIE Company's financial year beginning on 1 January 2015 throughout the Track Record Period except for those new and revised HKFRSs that are not yet effective for any of the Track Record Period.

The adoption of the new and revised HKFRSs effective for the financial year beginning on 1 January 2015 has no material effect on the Financial Information for the current and prior period.

The HKICPA has issued the following new and revised standards, amendments and interpretations that are not yet effective. The VIE Company has not early applied these Standards, Amendments or Interpretations during the Track Record Period.

HKFRS 9	Financial Instruments [2]
Amendments to HKFRS 10 and HKAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [1]
Amendments to HKFRS 11	Accounting for Acquisition of Interests in Joint Operations [1]
HKFRS 10, HKFRS 12 and HKAS 28 (2011)	Investment Entities: Applying the Consolidation Exception [1]
HKFRS 14	Regulatory Deferral Accounts [3]
HKFRS 15	Revenue from Contracts with Customers [2]
Amendments to HKAS 1	Disclosure Initiative [1]
Amendments to HKAS 16 and HKAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation [1]
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer Plants [1]
Amendments to HKAS 27 (2011)	Equity Method in Separate Financial Statements [1]
Annual Improvements 2012-2014 Cycle	Amendments to a number of HKFRSs 1

[1] Effective for annual periods beginning on or after 1 January 2016
[2] Effective for annual periods beginning on or after 1 January 2018
[3] Effective for an entity that first adopts HKFRSs for its annual financial statements beginning on or after 1 January 2016 and therefore is not applicable to the Hong Kong Company

The management is in the process of assessing the potential impact of these new and revised standards, amendments and interpretations that are not yet effective on the results and financial position of the VIE Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The Financial Information has been prepared under the historical cost convention, except for certain financial instruments that are measured at fair values at the end of each reporting period. The accounting policies set out below have been consistently applied throughout the Track Record Period. The Financial Information is presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise stated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the VIE Company takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The Financial Information has been prepared in accordance with HKFRSs (which include all Hong HKASs and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Main Board of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and by disclosure requirements of the Hong Kong Companies Ordinance.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the VIE Company and when the revenue can be measured reliably.

(a) Self developed mobile and web games operation

The VIE Company operates certain self-developed mobile and web games though the VIE Company's platform and cooperation with various third-party game distribution and publishing platforms including online application stores, web-based and mobile game portals (the "Game Distribution Channels"). The VIE Company is responsible for technical support. The platforms are responsible for distribution and, collections from players.

The VIE Company operates self developed mobile and web games that allow players to play for free. Players can purchase virtual currency to obtain in-game items and premium features, commonly known as virtual items, to enhance their game-playing experience. Players can pay for virtual currency using different payment platforms. The Game Distribution Channels and game developer are entitled to the relevant service fees which are withheld and deducted from the gross proceeds of virtual currency collected from the players, with the net amounts remitted to the VIE Company. The portion of the proceeds received by VIE Company is calculated based on the payments collections from players and the agreed share ratio in contracts with Game Distribution Channels. The consideration received for the purchase of the virtual currency or virtual items is non-refundable and the related contracts are non-cancellable. For the self developed mobile and web game, such consideration received is initially included in deferred revenue on the consolidated statement of financial position. The VIE Company recognises revenue on a gross basis and recognise the relevant service fees and revenue-sharing to Game Distribution Channels as cost of sales in the consolidated statement of profit or loss and other comprehensive income.

The VIE Company determine the deferred revenue base on amount of unutilised virtual items and estimated average selling price of virtual currency.

Future usage patterns may differ from the historical usage patterns on which the VIE Company estimated usage patterns of the virtual items. Once virtual currency is charged to a player's personal mobile game account, it can be used by the player until the specific game has been closed down. Unused balance of virtual currency is recognised as revenue when the specific game has been closed down.

(b) Web game under joint operation

The VIE Company operation certain web games developed by other game developers under joint operation, the VIE Company is only responsible for promoting the game and is considered as the agents of the game developers. The VIE Company receives commission based on a certain portion of the purchase amount for in-game currency remitted by players through Game Distribution Channels. After deducting the commission charged by the Game Distribution Channels and the sharing amount to game developers, the VIE Company recognize the rest of the amount. Revenue is measured at the amount of the commission and recognised upon the purchase action by players.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts over the expected life of the financial instrument to the net carrying amount of the financial asset.

(d) Other services income

Revenue from other services income is recognised when the relevant service is provided.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the Track Record Period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Foreign currencies

The functional currency of the VIE Company is RMB. The financial statements are presented in RMB which is the currency of the primary economic environment in which the VIE Company operates.

In preparing the financial statements of the VIE Company, transactions in currencies other than the presentation currency of the VIE Company (foreign currencies) are recorded in its functional currency (i.e. the currency of the primary economic environment in which the VIE Company operates) at the rates of exchanges prevailing on the dates of the transactions. For the Track Record Period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on monetary items are recognised in profit or loss in the period in which they arise, except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss except for differences arising on the retranslation of non-monetary items in respect of which gain and losses are recognised directly in other comprehensive income, in which cases, the exchange differences are recognised directly in other comprehensive income.

Retirement benefit costs

The VIE Company operate in Mainland China, which are required to participate in a central pension scheme operated by the local municipal government. The contributions are charged to the statement of profit or loss and other comprehensive income as they become payable in accordance with the rules of the central pension scheme.

Cash and cash equivalents

For the purposes of the statements of cash flows, cash and cash equivalents comprise cash on hand and deposits on banks.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the Track Record Period. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The VIE Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted for the Track Record Period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the Financial Information and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Current or deferred tax is charged or credited to other comprehensive income or directly to equity, in which case, the current and deferred tax is also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arise from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the entity intends to settle its current tax assets and liabilities on a net basis.

Property, plant and equipment

Property, plant and equipment are stated in the statements of financial position at cost less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the property, plant and equipment have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the statements of comprehensive income in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the property, plant and equipment, the expenditure is capitalised as an additional cost of that property, plant and equipment.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives for the Track Record Period are as follows:

Computer and office equipments	3 years

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at the end of each reporting period.

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

Intangible assets

(a) Game

Game is initially recognized and measured at cost less amortization. Acquired game licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software, and are amortized over their estimated useful lives of 1 year.

(b) Research and development costs

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the VIE Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Impairment of non-financial assets (other than goodwill)

The VIE Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Provisions and contingent liabilities

Provisions are recognised when the VIE Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the VIE Company will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

Provisions shall be reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits will be required to settle the obligation, the provision shall be reversed.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

When the cost of services to fulfill the obligation under the contract exceeds the revenue, a provision for onerous contracts would be made. In estimating the amount by which the cleaning cost are expected to exceed the revenue, management takes into account the cost of fulfilling the obligation under the contract and any compensation or penalties arising from failure to fulfill it, which is the lower will be recognised as the unavoidable costs.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the VIE Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of profit or loss and other comprehensive income.

Financial assets

The VIE Company's financial assets are classified into loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchase or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognised on an effective interest basis for debt instruments other than those financial assets designated at financial assets at fair value through profit or loss.

Loan and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments hat are not quoted in an active market. Loan and receivables (including trade receivables, deposits, other receivables, amount due from a shareholder and cash and bank balances) are carried at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at financial assets at fair value through profit or loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

The objective evidence of impairment could include:

(a) significant financial difficulty of the issuer or counterparty; or

(b) breach of contract, such as default or delinquency in interest or principal payments; or

(c) it becoming probable that the borrower will enter bankruptcy or financial reorganization; or

(d) the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the VIE Company's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the credit period, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Derecognition of financial assets

The VIE Company derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the VIE Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the VIE Company continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability. If the VIE Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the VIE Company continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety, the VIE Company allocates the previous carrying amount of the financial asset between the part it continues to recognise, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

Financial liabilities and equity instruments

Debt and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the VIE Company are recognised at the proceeds received, net of direct issue costs.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest expense is recognised on an effective interest basis other than those financial liabilities designated at financial liabilities at fair value through profit or loss.

Other financial liabilities

Other financial liabilities (including trade payables, accruals deposits received and other payables, and amount due to a shareholder) are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The VIE Company derecognises financial liabilities when, and only when, the VIE Company's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Segment reporting

Operating segments, and the amounts of each segment item reported in the Financial Information, are identified from the financial information provided regularly to the VIE Company's chief operating decision-maker for the purpose of allocating resources to, and assessing the performance of, the VIE Company's various lines of business and geographical locations.

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

Related parties

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

   (1) has control or joint control over the VIE Company

   (2) has significant influence over the VIE Company; or

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

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

   (1) the entity and the VIE Company are members of the same VIE Company (which means that each parent, subsidiary and follow subsidiary is related to the others).

   (2) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a VIE Company of which the other entity is a member).

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

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

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

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

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

Close family members of an individual are those family members who may be expected to influence by that person in their dealings with the entity.

4. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In the application of the VIE Company's accounting policies, which are described in Note 3 of Section II, management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Key sources of estimation uncertainty

The followings are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Self developed mobile and web game operation revenue recognition

Self developed mobile and web game revenue is recognised based on the actual consumption of the virtual items. Income received in respect of unutilised virtual items is recognized as deferred revenue. The VIE Company determines the deferred revenue base on amount of unutilised virtual items and estimated average selling price of virtual currency.

For games operate by the VIE Company and data of unutilised virtual items and currency are applicable, the VIE Company recognise deferred revenue base on amount of unutilised virtual items and virtual currency; and estimated average selling price of virtual currency.

Future paying player usage patterns and behavior may differ from the historical usage patterns and therefore the estimated average user life of paying players may change in the future. The VIE Company will continue to monitor the estimation used in determining the sales value of virtual items and average user life of paying players, which may differ from the historical period, and any change in the estimate may result in the revenue being recognised on a different basis than in prior periods.

Impairment of non-financial assets

The VIE Company assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Useful lives of property, plant and equipment

Management determines the estimated useful lives and related depreciation expenses for the VIE Company's property, plant and equipment. Management will revise the depreciation expenses where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

Impairment losses in respect of trade receivables

The policy for impairment loss on trade and other receivables of the VIE Company is based on the evaluation of collectability and ageing analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the VIE Company were deteriorated, resulting in an impairment of their ability to make payments, additional impairment loss may be required.

Provision

When there is a probability that an outflow of economic benefits will occur due to a present obligation resulting from a past event, and that amount is reasonably estimate, a corresponding amount of provision is recognised in the financial statements. However, no provision is recognised for costs that need to be incurred to operate in the future.

Income taxes

The VIE Company is subject to income taxes in PRC, Hong Kong and Korea. Significant judgment is required in determining provision for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The VIE Company recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

5. SEGMENT INFORMATION

The VIE Company was principally engaged in the research, development, distribution and operation of mobile gaming products.

HKFRS 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the VIE Company that are regularly reviewed by the chief operating decision-maker in order to allocate resources to segments and to assess their performance. The information reported to the directors of the VIE Company, who are the chief operating decision-makers, for the purpose of resource allocation and assessment of performance, does not contain separate profit or loss information for the VIE Company's operations and the directors reviewed the financial results of the VIE Company as a whole reported under HKFRSs. Therefore, no further information about the operating segment is presented.

Information about major customers

The revenue from customers represented over 10% of the revenue from the year ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2014 and 2015 were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Customer A	60	–	–	–	–
Customer B	–	485	–	–	–
Customer C	–	1,942	–	–	–
Customer D	–	–	951	–	–
Customer E	–	–	437	–	–
Customer F	–	–	922	–	–
Customer G	–	–	971	–	–
Customer H	–	–	–	47	–
Customer I	–	–	–	50	–
Customer J	–	–	–	73	–

6. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets				
Loan and receivables (including cash and bank balances)	8,684	7,971	8,737	31,577
Financial liabilities				
Amortised costs	1,423	690	7,748	7,082

(b) Financial risk management objectives and policies

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

Market risk

(i) Foreign currency risk

The VIE Company operates and conducts business in the PRC and most the VIE Company's transactions, assets and liabilities are primarily denominated in RMB, which expose the Group to foreign currency risk. The Group does not have any formal hedging policy.

No sensitivity analysis on foreign currency risk is performed since the Group's has no material foreign currency denominated monetary assets and liabilities at the end of the reporting period.

(ii) Interest rate risk management

The VIE Company considers that there is no significant cash flow interest rate risk and fair value interest rate risk as the VIE Company does not have variable rate and fixed rate borrowings. The VIE Company did not enter into interest rate swap to hedge against its exposures to changes in fair values of the borrowings.

The VIE Company's exposure to market risk for changes in interest rates relates primarily to the bank balances. Floating-rate interest income is charged to the statement of profit or loss and other comprehensive income as incurred.

Credit risk

The carrying amounts of bank balances placed with bank, trade receivables, other receivable included in Financial Information represent the VIE Company's maximum exposure to credit risk in relation to control potential exposure to recoverability problem.

The credit risk on bank balances is limited because the counterparties are reputable financial institutions.

For trade receivables, the VIE Company have put in place policies to ensure that revenue are made to counterparties with an appropriate credit history and the VIE Company perform periodic credit evaluation of its counterparties. The VIE Company's historical experience in collection of trade receivables falls within the recorded allowances and the Directors are of the opinion that adequate provision for uncollectible trade receivables has been made in the accounts. In this regard, the directors of the VIE Company consider that the VIE Company's credit risk is significantly reduced.

For other receivables, directors of the VIE Company make periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience.

Other than concentration of credit risk on liquid funds which are deposited with several banks with high credit ratings and trade receivables due from Game Distribution Channels and customer discussed below, the VIE Company and do not have any other significant concentration of credit risk. Trade receivables consist of a large number of customers.

Concentration risk

For the revenue from customers represented over 10% of the revenue from the year ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2014 and 2015 please refer to segment information in Note 5.

The trade receivables from customers represented over 10% of trade receivables as of 31 December 2012, 2013 and 2014 and 30 September 2015 were as follows:

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Customer A	60	–	–	–
Customer D	–	–	921	–
Customer F	–	–	893	–
Customer G	–	–	940	–
Customer K	–	100	–	–
Customer L	–	–	450	–

The monthly recharge from Game Distribution Channels represented over 10% of the monthly recharge from the year ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2014 and 2015 were as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Game Distribution Channel A	–	–	–	–	36,552
Game Distribution Channel B	–	–	–	–	17,436

The trade receivables from Game Distribution Channels represented over 10% of trade receivables as of 31 December 2012, 2013 and 2014 and 30 September 2015 were as follows:

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Game Distribution Channel A	–	–	–	10,912
Game Distribution Channel B	–	–	–	11,626

Liquidity risk

The VIE Company has to maintain a suitable level of liquidity to finance the daily operation, capital expenditure and repayment of borrowings. The VIE Company's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash to meet its liquidity requirements in the short and longer term.

The following table details the VIE Company's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the VIE Company can be required to pay.

	Within 1 year or on demand	**More than 1 year but less than 5 years**	**Over 5 years**	**Total contractual undiscounted cash flow**	**Carrying amount**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2012					
Trade payables	17	–	–	17	17
Accruals, deposit received and other payables	452	–	–	452	452
Amount due to a shareholder	954	–	–	954	954
	1,423	–	–	1,423	1,423

	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2013					
Trade payables	9	–	–	9	9
Accruals, deposit received and other payables	681	–	–	681	681
Amount due to a shareholder	–	–	–	–	–
	690	–	–	690	690

	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2014					
Trade payables	12	–	–	12	12
Accruals, deposit received and other payables	2,540	–	–	2,540	2,540
Amount due to a shareholder	5,196	–	–	5,196	5,196
	7,748	–	–	7,748	7,748

	Within 1 year or on demand	More than 1 year but less than 5 years	Over 5 years	Total contractual undiscounted cash flow	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 30 September 2015					
Trade payables	1	–	–	1	1
Accruals, deposit received and other payables	5,002	–	–	5,002	5,002
Amount due to a shareholder	2,079	–	–	2,079	2,079
	7,082	–	–	7,082	7,082

(c) Fair value of financial instruments

The directors consider that the carrying amounts of the financial assets and financial liabilities recognised in the financial statements that are not measured at fair value on a recurring basis approximate their fair values.

There were no transfers between Levels 1 and 2 as defined in Note 3 of Section II during the Track Record Period.

7. CAPITAL RISK MANAGEMENT

The primary objectives of the VIE Company's capital management are to safeguard the VIE Company's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The VIE Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure the VIE Company may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

8. REVENUE

The amount of each significant category of revenue recognised during the Track Record Period is as follows:

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Self-developed mobile and web game operations	–	–	–	–	61,892
Web game under joint operations	408	258	80	66	14
Other services income	66	2,945	3,787	385	72
	474	3,203	3,867	451	61,978

9. OTHER INCOME AND GAINS

	Year ended 31 December			**Nine months ended 30 September**	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Government subsidies	–	42	12	–	1

Government subsidies represent the financial subsidies given by the local government to encourage the VIE Company's operation in the PRC.

10. PROFIT/(LOSS) BEFORE TAXATION

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Staff costs:					
Employee benefit expense (including directors' remuneration)					
Salaries, allowances and other benefits	1,197	1,987	8,303	6,342	5,955
Retirement benefit schemes contributions	220	241	1,458	1,116	1,231
	1,417	2,228	9,761	7,458	7,186
Less: Staff costs recognised in intangible assets	–	–	(7,150)	(5,364)	(4,384)
Total staff costs	1,417	2,228	2,611	2,094	2,802
Other items:					
Auditors' remuneration	–	–	–	–	–
Depreciation of property, plant and equipment	20	46	50	38	29
Amortisation of intangible assets	–	–	–	–	1,520
Minimum lease payments under operating leases of rental premises	145	145	145	109	156

11. TAXATION

The taxation of the VIE Company comprises:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
The PRC Enterprise Income Tax – Current tax	–	–	–	–	–
Total income tax recognised in profit or loss	–	–	–	–	–

Under the Law of the PRC on the PRC Enterprise Income Tax and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are 25% from 1January 2008 onwards.

In accordance with various approval documents issued by the PRC government authority, the VIE Company is entitled to enjoy preferential income tax treatment of income tax exemption for the first two years when it became profitable, followed by three years preferential income tax rate of 12.5%. The two years' tax exemption period the VIE Company begins from 1 January 2014.

The income tax expenses during the Track Record Period can be reconciled to the profit before taxation per the statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Profit/(loss) before taxation	(1,988)	(165)	764	(2,041)	18,715
Notional tax on profit before taxation, calculated at PRC Enterprise Income Tax rate at 25%	(497)	(41)	191	(510)	4,679
Tax effect of tax concessions	–	–	(332)	–	(3,102)
Tax effect of expenses or income not deductible or taxable	199	10	543	255	(1,577)
Utilisation of tax losses previously not recognised	–	–	(402)	–	–
Tax losses not recognised	298	31	–	255	–
Income tax expenses	–	–	–	–	–

12. DIVIDENDS

No dividend has been paid or proposed by the VIE Company during the Track Record Periods.

13. EARNINGS PER SHARE

Profit/(loss) per share have not been presented as such information is not meaningful having regard to the purpose of this report.

14. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Directors' emoluments

The emoluments paid or payable to each of the directors of the VIE Company were as follows:

For the year ended 31 December 2012

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Retirement benefit schemes contributions	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lui	–	33	–	6	39

For the year ended 31 December 2013

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Retirement benefit schemes contributions	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lui	–	3	–	7	10

For the year ended 31 December 2014

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Retirement benefit schemes contributions	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lui	–	4	–	8	12

For the nine months ended 30 September 2014 (Unaudited)

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Retirement benefit schemes contributions	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lui	–	3	–	6	9

For the nine months ended 30 September 2015

	Directors' fees	Salaries, allowances and other benefits	Discretionary bonus	Retirement benefit schemes contributions	Total emoluments
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive director:					
Mr. Lui	–	30	–	6	36

Note:

(i) Mr. Lui is also the Chief Executive Officer of the VIE Company.

During the Track Record Period, no emoluments were paid by the VIE Company to the directors as an inducement to join or upon joining the VIE Company or as compensation for loss of office. There was no arrangement under which a director waived or agreed to waive any emoluments during the Track Record Period.

Five highest paid employees

The five highest paid employees of the VIE Company during the Track Record Period are analysed as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	2013	2014	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Director	–	–	–	–	–
Non-director	233	507	1,615	1,210	1,220

Details of the remuneration of the above non-director, highest paid employees during the Track Record Period as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Salaries, allowances and other benefits	207	470	1,428	1,071	1,071
Retirement benefit schemes contributions	26	37	187	139	149
	233	507	1,615	1,210	1,220

The number of five individuals whose remuneration fell within the following band is as follows:

	Year ended 31 December			Nine months ended 30 September	
	2012	**2013**	**2014**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (unaudited)	*RMB'000*
Nil to HK$1,000,000	5	5	5	5	5

During the Track Record Period, no emoluments were paid by the VIE Company to the non-director, highest paid employees as an inducement to join or upon joining the VIE Company or as compensation for loss of office. None of the non-director, highest paid employees waived or agreed to waive any emoluments during the Track Record Period.

15. PROPERTY, PLANT AND EQUIPMENT

	Computer and office equipment
	RMB'000
Cost	
At 1 January 2012	7
Additions	114
At 31 December 2012 and 1 January 2013	121
Additions	42
At 31 December 2013 and 1 January 2014	163
Additions	–
At 31 December2014 and 1 January 2015	163
Additions	151
At 30 September 2015	314
Accumulated depreciation	
At 1 January 2012	1
Charge for the year	20
At 31 December 2012 and 1 January 2013	21
Charge for the year	46
At 31 December 2013 and 1 January 2014	67
Charge for the year	50
At 31 December2014 and 1 January 2015	117
Charge for the period	29
At 30 September 2015	146
Carrying amounts	
At 30 September 2015	168
At 31 December 2014	46
At 31 December 2013	96
At 31 December 2012	100

16. INTANGIBLE ASSETS

	Game
	RMB'000
Cost	
At 1 January 2012, 31 December 2012, 31 December 2013 and 1 January 2014	–
Additions	7,150
At 31 December2014 and 1 January 2015	7,150
Additions	4,384
At 30 September 2015	11,534
Accumulated amortisation	
At 1 January 2012, 31 December 2012, 31 December 2013, 31 December 2014 and 1 January 2015	–
Charge for the period	1,520
At 30 September 2015	1,520
Carrying amounts	
At 30 September 2015	10,014
At 31 December 2014	7,150
At 31 December 2013	–
At 31 December 2012	–

The following useful lives are used in the calculation of amortisation:

Game	1 year

Amortisation of approximately RMB1,520,000 for the period ended 30 September 2015 is included in "administrative expenses".

17. TRADE RECEIVABLES

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables	60	100	3,405	25,903
Allowance for doubtful debts	–	–	–	–
	60	100	3,405	25,903

In general, the VIE Company normally allows a credit period of 30 – 90 days depending on the customer's creditworthiness and the length of business relationship. The ageing analysis of trade receivables, net of allowance of doubtful debts based on the invoice date at the end of each reporting period is as follows:

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	60	–	3,305	21,752
31 to 60 days	–	–	–	2,621
61 to 90 days	–	100	–	1,254
Over 90 days	–	–	100	276
Total	60	100	3,405	25,903

Movement in the allowance of trade receivables is as follow:

	Year ended 31 December			Nine months ended 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Balance at beginning/end of the year	–	–	–	–

Past due but not impaired

Included in the VIE Company's trade receivables balances are debts with carrying amounts of approximately RMB Nil, RMB Nil, RMB100,000 and RMB276,000at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively which were past due at the end of the reporting period for which the VIE Company had not provided as there had been no significant change in credit quality and the amounts were still considered recoverable. The VIE Company does not hold any collateral over these balances.

Age of receivables that are past due but not impaired

	At 31 December			At 30 September
	2012	2013	2014	2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Overdue by:				
Within 365 days	–	–	100	276
Over 365 days	–	–	–	–
Total	–	–	100	276

Impaired trade receivables

In determining the recoverability of a trade receivable, the VIE Company considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. Accordingly, the directors believe that there is no further credit provision required in excess of the impairment of trade receivables.

The VIE Company's policy for impairment loss on trade receivables is based on an evaluation of collectability and ageing analysis of the receivables which requires the use of judgment and estimates. Provisions are applied to the receivables when there are events or changes in circumstances indicate that the balances may not be collectible. The management closely reviews the trade receivable balance and any overdue balances on an ongoing basis and assessments are made by our management on the collectability of overdue balances.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the VIE Company. The management believes that no impairment allowance is necessary in respect of these balances as there have not been a significant change in credit risk and the balances are still considered fully recoverable. The VIE Company does not hold any collateral over those balances.

18. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Prepayments *(note (i))*	311	124	77	7,951
Deposits	101	93	91	2
Other receivables	8,477	5,943	5,122	4,046
Total	8,889	6,160	5,290	11,999

Note:

(i) Prepayment mainly contains prepaid commission charges to game distribution channel.

19. AMOUNT DUE FROM A SHAREHOLDER

	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Lui	–	1,755	–	–

	Maximum outstanding balance during			
	Year ended 31 December			Nine months ended 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Lui	–	1,755	–	–

The amount due from a shareholder was unsecured, interest-free and recoverable on demand.

20. CASH AND BANK BALANCES

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks. Cash and cash equivalents at the end of the reporting period as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cash and bank balances *(note (i))*	46	80	119	1,626

Note:

(i) Cash and cash equivalents of the VIE Company and the VIE Company are denominated in RMB. The bank deposits are placed with banks in the PRC. The remittance of funds out of the PRC is subject to the exchange control restrictions imposed by the PRC government.

21. TRADE PAYABLES

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	17	9	12	1

The following is an ageing of trade payables for the Track Record Period:

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within 30 days	11	8	8	–
31 to 60 days	6	1	4	–
61 to 90 days	–	–	–	–
Over 90 days	–	–	–	1
Total	17	9	12	1

The credit period on purchases of certain goods and services is generally within 90 days.

22. DEFERRED REVENUE

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Service fee prepaid but related service not rendered	–	–	–	15,651

23. ACCRUALS, DEPOSITS RECEIVED AND OTHER PAYABLES

	At 31 December 2012	At 31 December 2013	At 31 December 2014	At 30 September 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Accruals	122	115	648	738
Other tax payables *(note (i))*	130	297	1,673	4,049
Other payables	200	269	219	215
	452	681	2,540	5,002

Note:

(i) Included in other tax payables of approximately RMB 6,000, RMB 62,000, RMB 45,000 and RMB 1,138,000 were provision for business tax or value-added tax at 31 December 2012, 2013 and 2014 and 30 September 2015 respectively.

24. AMOUNT DUE TO A SHAREHOLDER

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

25. CAPITAL

	At 31 December 2012	At 31 December 2013	At 31 December 2014	At 30 September 2015
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Registered capital:	10,000	10,000	10,000	10,000
Paid-up capital:	10,000	10,000	10,000	10,000

26. RETIREMENT BENEFIT COSTS

Defined contribution plan

The VIE Company has provided for pension and retirement benefit costs to all qualified employees in the PRC in accordance with the regulations set by the PRC local government which is calculated based on 20% on the employees' salary or the monthly average salaries set out by the PRC local government.

27. OPERATING LEASE COMMITMENT

The VIE Company as lessee

The VIE Company entered into commercial leases on certain office buildings. These leases have an average life of 3 to 5 years. None of the leases includes contingent rentals.

For the Track Record Period, the VIE Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	At 31 December			At 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Within one year	145	145	145	334
In the second to fifth years, inclusive	435	290	145	1,335
Over five years	–	–	–	83
	580	435	290	1,752

28. MATERIAL RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the Financial Information, except for the amount due from/to a shareholder, the VIE Company had also entered the following material transactions with related parties during the Track Record Period.

(a) Compensation paid to key management personnel of the VIE Company represented are disclosed in Note 14 to the Financial Information.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the VIE Company or any of the companies comprising the VIE Company in respect of any period subsequent to 30 September 2015.

Yours faithfully
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong

MANAGEMENT DISCUSSION AND ANALYSIS OF THE VIE COMPANY

Set out below is the management discussion and analysis on the VIE Company for the three years ended 31 December 2012, 2013, 2014 and nine months ended 30 September 2015.

Financial Review

The following is the financial information of the VIE Company for the three years ended 31 December 2012, 2013 and 2014 and nine months ended 30 September 2015, which is extracted from the audited financial statements of the VIE Company prepared in accordance with Hong Kong Financial Reporting Standards:

	For the year ended 31 December			For nine months period ended 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	474	3,203	3,867	61,978
Gross Profit	474	3,203	3,867	31,958
Net Profit/(loss)	(1,988)	(165)	764	18,715

The VIE Company built an interactive entertainment platform named "優戲網" (www.youc.com) in 2013, aimed to promote the most popular web games as a distributor. The website has successfully gained its popularity by promoting and distributing tens of web games since its establishment, including several then hottest web games and a self-developed web game, Jian Ge ("劍歌"). The turnaround of financial performance of the VIE Company from loss making to profit making in 2014 was mainly due to the increasing popularity of 優戲網 and the successful launch of an app named "Wan Shen Me" (玩什麼), a navigator to popular games, through which the VIE Company recommended the games to players which in turn, enhanced the exposure of mobile games recommended by VIE Company and saved part of the promotion cost by VIE Company. Riding on the rapid growth of mobile games in recent years, the VIE Company made significant progress on its corporate strategy in 2014 shifting from distribution of popular games mostly developed by other companies to a multi-prong business model from research and development to operation of internet and mobile games. The significant increase of the net profit of the VIE Company in 2015 was mainly attributable to (i) the launch of two self-developed mobile games by the VIE Company in July 2015 and September 2015 respectively; (ii) the enter into cooperation agreements with several famous platform in China with high click-through rate including 360, Baidu and Chuang Yu Wang Luo (創娛網絡), which significantly increase the registered and paid users of the newly launched mobile games; (iii) the success of the VIE Company's business strategy mentioned above; and (iv) rapid growth of China's mobile games market driven by the increase of smartphone penetration in recent years. Besides the reasons above, the significant increase in revenue for the nine months ended 30 September 2015 was also due to the increase in revenue coming from the self-developed games for the nine months ended 30 September 2015. For self-developed games, the VIE Company recognises revenue on gross basis and recognise the relevant service fees and revenue sharing with the game distribution potals as cost of sales. For online games developed by other parties while the VIE Company acting as agent, the VIE Company recognises revenue on net basis after deducting the commission charged by the game distribution potals and the sharing amount to game developers. Details about the accounting treatment with be included in Appendix IIC to this circular.

Capital structure, liquidity and financial resources

	As at 31 December			As at 30 September
	2012	**2013**	**2014**	**2015**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total Assets	9,095	8,191	16,010	49,710
Total Liabilities	1,432	693	7,748	22,733
Equity	7,663	7,498	8,262	26,977
Gearing ratio	6.24%	9.24%	30.89%	76.56%

The total assets of the VIE Company as at 30 September 2015 were approximately RMB49,710,000, which mainly include intangible assets, trade receivables, prepayments, deposits and other receivables and cash and cash equivalent of approximately RMB10,014,000, RMB25,903,000, RMB11,999,000 and RMB1,626,000 respectively.

The total liabilities of the VIE Company as at 30 September 2015 were approximately RMB22,733,000, which mainly include deferred revenue of RMB15,651,000, which will be recognized as revenue over the next few months. The VIE Company had no borrowings as at 30 September 2015.

The gearing ratios which were computed by dividing liabilities to third parties by equity were approximately 6.24%, 9.24%, 30.89% and 76.56% for the relevant year or period. The increase of gearing ratio as at 31 December 2014 was mainly due to the increase of accruals and other payables. The significant increase of gearing ratio as at 30 September 2015 was mainly due to the increase of deferred revenue as a result of the revenue for the nine months of 2015 were mainly coming from the self-developed games. Details about the accounting treatment will be included in Appendix IIC to this circular.

Pledge and charges on assets

As at 31 December 2012, 2013 and 2014 and 30 September 2015, the VIE Company had no charge on assets.

Foreign exchange exposure

The trading transactions, assets and liabilities of the VIE Company were denominated in RMB since the VIE Company's businesses were conducted and recorded in RMB during the period under review. Therefore, the VIE Company had no exposure to exchange risk.

Significant investment held

During the period under review, there was no significant investments by the VIE Company.

Material acquisition or disposal of subsidiary or associated company

During the period under review, there was neither material acquisition nor disposal of subsidiaries by the VIE Company.

Future plans for material investments or capital assets

The VIE Company has no future plans for material investments or capital assets in the coming year.

Employees and remuneration policies

As at 31 December 2012, 2013, 2014 and the nine months ended 30 September 2015, the VIE Company had a total of 41, 22, 61 and 70 employees respectively. The total employee benefit expenses were RMB1,417 thousand, RMB2,228 thousand, RMB9,761 thousand and RMB7,186 thousand respectively, for the years ended 31 December 2012, 2013 and 2014 and the nine months ended 30 September 2015.

Remuneration packages and benefits were determined in accordance with market terms, industry practice as well as the duties, performance, qualifications and experience of the staff. The VIE Company participated in various statutory employee benefit plans maintained by municipal and provincial governments, including housing, pension, medical and unemployment benefit plans in accordance with relevant PRC regulations, and the VIE Company contributed to these plans at specified percentages of the salaries, bonuses and allowances paid to their employees based on applicable local government requirements.

Contingent liabilities

The VIE Company had no material contingent liabilities as at 31 December 2012, 2013 and 2014 and 30 September 2015.

Prospects of the VIE Company

The VIE Company will continue to develop more internet and mobile games to seize more market opportunities in the gaming industry and expects to launch several new internet and mobile games in 2016. Meanwhile, the VIE Company will strengthen its cooperation with the platforms like 360, Baidu and Chuang Yu Wang Luo（創娛網絡）and will seek from time to time for the opportunities to cooperate with more platforms to promote its games. In the near future, to capitalise the popularity of some classic characters or storylines of the best-selling novels and top-grossing movies, the VIE Company may also seek a deep cooperation with other entertainment companies under which the characters and storylines created by these entertainment companies will be incorporated into the new games.

A. UNAUDITED PRO FORMA CONSOLIDATED ASSETS AND LIABILITIES OF THE ENLARGED GROUP

(i) Basis of preparation of the unaudited pro forma financial information of the Enlarged Group

To provide additional financial information, the unaudited pro forma statement of assets and liabilities (the "Unaudited Pro Forma Financial Information") of the Enlarged Group (being the Company and its subsidiaries (the "Group") together with Cable King Limited, the Hong Kong Company and the VIE Company (the "Target Group")) as at 30 June 2015 has been prepared based on:

(a) the historical unaudited consolidated statement of financial position of the Group as at 30 June 2015 which has been extracted from the unaudited interim report for the period ended 30 June 2015;

(b) the consolidated statements of financial position of the Target Group as at 30 September 2015 which has been extracted from Appendix IIA to IIC to this circular; and

(c) after taking into account of the unaudited pro forma adjustments as described in the notes thereto to demonstrate how the acquisition might have affected the historical financial information in respect of the Group as if the acquisition had been completed on 30 June 2015.

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

The Unaudited Pro Forma Financial Information of the Enlarged Group is for illustrative purposes only, and because of its hypothetical nature, it may not give a true picture of the financial position of the Enlarged Group as at 30 June 2015 or at any future date.

(ii) Unaudited Pro Forma Consolidated Statement of Financial Position of the Enlarged Group

	Unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2015 *RMB'000* *(Note 1)*	Audited statement of assets and liabilities of the Target Company as at 30 September 2015 *RMB'000* *(Note 2)*	Audited statement of assets and liabilities of the Hong Kong Company as at 30 September 2015 *RMB'000* *(Note 3)*	Audited statement of assets and liabilities of VIE Company as at 30 September 2015 *RMB'000* *(Note 4)*	*Note*	Unaudited pro-forma adjustment *RMB'000*	Unaudited pro-forma consolidated statement of assets and liabilities of the Enlarged Group as at 30 June 2015 *RMB'000*
Non-current assets							
Property, plant and equipment	146,070	–	–	168			146,238
Prepaid lease payments	2,346	–	–	–			2,346
Goodwill	–	–	–	–	7	398,341	398,341
Intangible assets	–	–	–	10,014	6	28,555	38,569
	148,416	–	–	10,182			585,494
Current assets							
Inventories	18,872	–	–	–			18,872
Trade receivables	136,484	–	–	25,903			162,387
Prepayments, deposits and other receivables	21,227	–	–	11,999			33,226
Derivative financial instruments	3,666	–	–	–	5	8,430	12,096
Pledged bank deposits	66,955	–	–	–			66,955
Cash and bank balances	220,348	–	–	1,626	5	(16,408)	202,386
					8	(3,180)	
	467,552	–	–	39,528			495,922
Current liabilities							
Trade, bills, other payables and accruals	108,525	–	–	7,082			115,607
Deferred revenue	–	–	–	15,651			15,651
Contingent consideration payables	–	–	–	–	5	69,408	69,408
Bank borrowings	27,170	–	–	–			27,170
Promissory note	64,331	–	–	–			64,331
Convertible bonds	15,295	–	–	–			15,295
Tax payables	329	–	–	–			329
	215,650	–	–	22,733			307,791
Net current assets	251,902	-	–	16,795			188,131
Total assets less current liabilities	400,318	–	–	26,977			773,625
Non-current liabilities							
Bank borrowings	87,800	–	–	–			87,800
Promissory note	–	–	–	–	5	172,791	172,791
	87,800	–	–	–			260,591
Net assets	**312,518**	**–**	**–**	**26,977**			**513,034**

Notes:

(1) The unaudited condensed consolidated statement of assets and liabilities of the Group as at 30 June 2015 is extracted from the published unaudited interim report of the Company for the six months ended 30 June 2015.

(2) The audited consolidated statement of assets and liabilities of the Target Company as at 30 September 2015 is extracted from Appendix IIA to this circular.

(3) The audited consolidated statement of assets and liabilities of the Hong Kong Company as at 30 September 2015 is extracted from Appendix IIB to this circular.

(4) The audited consolidated statement of assets and liabilities of the VIE Company as at 30 September 2015 is extract from Appendix IIC to this circular.

(5) Pursuant to the Share Purchase Agreement, the pro forma adjustment represents the net aggregate consideration of HK$440,000,000 paid to the Sellers (as defined in the Share Purchase Agreement) to acquire the entire issued share of the Target Company made by the Group. The aggregate consideration comprised of i) net cash consideration of HK$20,000,000; ii) shares consideration of HK$220,000,000 by way of issue 314,285,714 shares of the Company at an issue price of HK$0.70 each; and iii) Promissory Note with the principal amount of HK$200,000,000.

The net aggregate consideration amounted to HK$440,000,000 will be further adjusted based on the audited consolidated profit after tax of the Target Group for the financial year ending 31 December 2016 (the "Actual Profit"). If the Actual Profit is more than HK$49,000,000, the Company shall pay the Seller an additional consideration (the "Additional Consideration"), subject to a maximum amount of HK$180,000,000. The Additional Consideration will be satisfied by the Company in one or the mixture of the ways of (i) cash; (ii) allotment and issuance of additional consideration shares of the Company (the "Additional Consideration Shares") at the same issue price as the Consideration Shares; or (iii) the issuance of an additional promissory note by the Company as further agreed by the Company and the Seller.

The Additional Consideration is recognised as the contingent consideration payable, measured at fair value with changes in fair value recognised in profit or loss and determined based on the valuation carried out. The fair value was determined by an independent professional valuer not connected with the Group based on probability weighted payoff of the scenarios, discounted at the sum of weighted average cost of capital and a premium.

The Promissory Notes in the principal amount of HK$200,000,000 shall be issued, which bear interest at 9% per annum with a maturity of 3 years. The Promissory Note contains two components: redemption option derivative and liability component. The redemption option derivative component is measured at fair value with changes in fair value recognised in profit or loss. The liability component is recognised as financial liabilities carried at amortised cost. The fair values of the redemption option derivative and the liability components at 30 September 2015 are determined based on the valuation carried out by an independent professional valuer not connected with the Group.

The fair values of the liability components of the Promissory Notes in aggregation of HK$210,616,000 is determined based on effective interest method.

The fair values of the redemption option derivative components of the Promissory Notes in aggregation of HK$10,276,000 is determine by an independent professional valuer not connected with the Group base on Hull White model with Trinominal Tree method.

For the purpose of illustrating the Unaudited Pro Forma Financial Information, the exchange rate of RMB1 to HK$1.2189 as at 30 September 2015 was used to convert from HK$ to RMB, respectively, and the details are set out as follows:

	HK$'000	*RMB'000*
Cash consideration	20,000	16,408
Share consideration *(Note 1)*	248,286	203,696
Promissory note – redemption option components *(Note 2)*	(10,276)	(8,430)
Promissory note – liability components *(Note 2)*	210,616	172,791
Contingent consideration payables *(Note 2)*	84,601	69,408
Total consideration	553,227	453,873

Notes:

1. The fair value of the share consideration was assumed to be the share price as at 30 September 2015 of which 314,285,714 shares were issued.

2. The fair values of promissory note and contingent consideration payables were based on the valuation reports as at 30 September 2015 which were performed by the independent professional valuer not connected with the Group.

(6) The pro forma adjustment reflects the fair value adjustments of the identifiable assets and liabilities of the Target Group and VIE Company. Upon completion of the acquisition of the entire issued share capital of the Target Company (the "Acquisition"), the identifiable assets and liabilities of the Target Group will be accounted for in the unaudited pro forma consolidated statement of assets and liabilities of the Enlarged Group at fair value under the purchase method of accounting in accordance with the International Financial Reporting Standard 3 (Revised) "Business Combinations".

The Directors estimated that the fair value and useful life of the intangible assets as at 30 September 2015 to be RMB39,230,000 and 1 year respectively based on the valuation performed by an independent professional valuer not connected with the Group.

The valuer has adopted the income approach for the valuation of the intangible assets. This valuation methodology assumed that the cash flow attributable to a particular intangible asset, is isolated by identifying, and deducting, portion of the total cash flow that are attributable to other tangible and intangible assets. It represents the charge that is required to compensate for an investment in a contributory assets by allocating a portion of the subject intangible asset's expected cash flow to each of the contributory assets that support that cash flow, with consideration given to the rates of return by the market.

As the carrying amount of intangible assets identified above is RMB10,014,000, the Directors adjusted the increase in fair value of RMB29,216,000 to the intangible assets. As the VIE Company enjoy preferential income tax treatment of income tax exemption, for the first two years when it became profitable, the Directors estimate that the fair value adjustment on intangible asset will not have any tax liability impact. The fair value of the identifiable net assets of the Target Group is calculated as follows:

	RMB'000
The carrying amount of the net assets of the Target Group and VIE Company as at 30 September 2015	26,977
Fair value adjustment	28,555
Fair value of the identifiable net assets of the Target Group and VIE Company as at 30 September 2015	55,532

The fair values of intangible assets of the VIE Company as at 30 September 2015 is as follows:

	Carrying amount *RMB'000*	Fair value adjustment *RMB'000*	Fair value *RMB'000*
Mobile games			
Dashengchuanshuo	4,158	12,387	16,545
Diguoyingxiong	5,856	16,168	22,024
	10,014	28,555	38,569

According to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the specific intangible asset relates. Where the recoverable amount of the intangible asset is less than the carrying amount, an impairment loss will be recognised.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the identified intangible assets in accordance with HKAS 36 Impairment of Assets and the Group's accounting policy.

Based on the impairment test, the recoverable amount of each of the identified intangible assets exceeds its carrying amount and accordingly, no pro forma adjustment in respect of impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. However, should there be any adverse changes to the business of the Target Company, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the identified intangible assets in accordance with HKAS 36 and the Group's accounting policy.

The Company will adopt consistent accounting policies for impairment tests in future. The Company's auditor will review the Company's assessment on the impairment of the identified intangible assets in accordance with Hong Kong Standards on Auditing at the end of each reporting period for the purposes of its audit in future.

The fair value of the identifiable assets and liabilities of the Target Group as at the Closing Date is still under reassessment which may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group. Once information on the fair value of the identifiable net assets of the Target Group is available, the intangible assets recognised for identifiable assets and liabilities acquired at the Closing Date may be different from the amount presented above.

(7) The goodwill of the Enlarged Group represents the excess of the cost of the Acquisition over the estimated fair value of the identifiable net assets of the Target Group.

For the purpose of this Unaudited Pro Forma Financial Information, the Directors of the Company had assumed that: (1) the total consideration of the Acquisition was approximately RMB453,873,000 as set out in Note 5 above and (2) the estimated fair value of the identifiable net assets of the Target Group and VIE Company as at 30 September 2015 is set out in Note 6 above.

The goodwill arising from the Acquisition is calculated as follows:

	RMB'000
The consideration of the Acquisition	453,873
Fair value of the identifiable net assets of the Target Group and VIE Company as at 30 September 2015	(55,532)
Goodwill arising from the Acquisition (the "Goodwill")	398,341

The Directors confirm that the basis used in the preparation of the Unaudited Pro Forma Financial Information is consistent with the accounting policies of the Group, and the accounting policies will be consistently adopted in the financial statements of the Group after the completion of the Acquisition.

Since the fair value of the identifiable net assets of the Target Group at the Closing Date of the Acquisition may be substantially different from the respective value used in the unaudited pro forma statement of assets and liabilities of the Enlarged Group, the goodwill recognised at the Closing Date of the Acquisition may be different from the amount presented above.

According to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the Goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount, an impairment loss will be recognised. An impairment loss recognised for the Goodwill will not be reversed in a subsequent period.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the Goodwill in accordance with HKAS 36 Impairment of Assets and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit in which the Target Company was assigned exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. Such assessment assumed that (i) there are no major material adverse changes in the fair values of the assets and liabilities; and (ii) the identifiable assets and liabilities can be realised at their book values. However, should there be any adverse changes to the business of the Target Group, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the goodwill in accordance with IAS 36 and the Group's accounting policy.

The goodwill of the Enlarged Group represents the excess of the cost of the Acquisition over the estimated fair value of the identifiable net assets of the Target Group.

The Company will adopt consistent accounting policies for impairment tests in future. The Company's auditor will review the Company's assessment on the impairment of goodwill in accordance with Hong Kong Standards on Auditing at the end of each reporting period for the purposes of its audit in future.

(8) The expense of professional services related to the Acquisition is estimated to be approximately RMB3,180,000. No other adjustments have been made to reflect any trading results or other transactions of the Group and the Target Group subsequent to 30 September 2015.

(9) The actual amounts of the adjustment were determined on the completion dates of the Acquisition, which may be different from the amounts presented in this Unaudited Pro Forma Financial Information and such differences may be material.

(B) REPORT ON UNAUDITED PRO FORMA CONSOLIDATED ASSETS AND LIABILITIES OF THE ENLARGED GROUP

The following is the text of a report received from the reporting accountants of the Company, HLB Hodgson Impey Cheng Limited, Certified Public Accountants, Hong Kong, prepared for the purpose of incorporation in this circular, in respect of the unaudited pro forma financial information of the Enlarged Group.

HLB 國衛會計師事務所有限公司
Hodgson Impey Cheng Limited

31/F, Gloucester Tower
The Landmark
11 Pedder Street
Central
Hong Kong

29 February 2016

The Boards of Directors
China Packaging Holdings Development Limited
Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhart Road
Wanchai
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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION INCLUDED IN AN INVESTMENT CIRCULAR

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of China Packaging Holdings Development Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), Cable King Limited (the "Target Company"), Wealthy Top (China) Limited (the "Hong Kong Company") and 冰河(廈門)資訊技術有限公司 (Binghe (Xiamen) Information Technology Company limited) (the "VIE Company") (the Group, the Target Company, the Hong Kong Company and the VIE Company are collectively referred to as the "Enlarged Group") by the directors of the Company (the "Directors") for illustrative purpose only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated assets and liabilities of the Enlarged Group as at 30 June 2015 and related notes set out on Section A of Appendix III of the Circular issued by the Company (the "Unaudited Pro Forma Financial Information"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described in Appendix III of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the acquisition of the entire issued share capital of Cable King Limited (the "Acquisition") on the Group's assets and liabilities as at 30 June 2015 as if the Acquisition had taken place at 30 June 2015. As part of this process, information about the Group's assets and liabilities has been extracted by the Directors from the Group's financial statements for the six months ended 30 June 2015, on which no audit or review report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Our Independence and Quality Control

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

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

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 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 accountants 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 pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event or 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 at 30 June 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 accountants' judgment, having regard to the reporting accountants' 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 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
HLB Hodgson Impey Cheng Limited
Certified Public Accountants
Wong Sze Wai, Basilia
Practising Certificate Number: P05806
Hong Kong

The following is the text of a valuation report as at 30 September 2015 received from Greater China Appraisal Limited, an independent valuer, for the purpose of incorporation in this Circular.

GREATER CHINA APPRAISAL LIMITED
漢 華 評 值 有 限 公 司

Room 2703, 27/F,
Shui On Centre,
6-8 Harbour Road,
Wanchai,
Hong Kong

29 February 2016

Board of Directors
China Packaging Holdings Development Limited
Office 2, 7th Floor
Wah Hing Commercial Building
283 Lockhard Road
Wanchai,
Hong Kong

Dear Sirs/Madams,

VALUATION OF 100% EQUITY INTEREST IN BINGHE (XIAMEN) INFORMATION TECHNOLOGY COMPANY LIMITED

In accordance with the instructions from China Packaging Holdings Development Limited (the "Company"), we were engaged to assist you in the analysis pertaining to the fair value of 100% equity interest (the "Equity Interest") in Binghe (Xiamen) Information Technology Company limited (the "Target", or "Target Company") as at 30 September 2015 (the "Valuation Date").

It is our understanding that our analysis will be used by the management of the Company for in their determination of the fair value of the Equity Interest solely for transaction reference only and form part of the circular of the Company dated 29 February 2016. The Target Company in this report is referred to as VIE Company in the circular. Our analysis was conducted for the above purpose only and this report should be used for no other purpose without our express written consent. Our work was performed subject to the limiting conditions and general service conditions described in this report. The standard of value is fair value; whilst the premise of value is going concern.

The approaches and methodologies used in our work did not comprise an examination in accordance with generally accepted accounting principles, the objective of which is an expression of an opinion regarding the fair presentation of financial statements or other financial information, whether historical or prospective, presented in accordance with generally accepted accounting principles.

We express no opinion and accept no responsibility for the accuracy and completeness of the financial information or other data provided to us by others. We assume that the financial and other information provided to us is accurate and complete, and we have relied upon this information in performing our valuation.

I. PURPOSE OF ENGAGEMENT

The purpose of this particular engagement is for transaction reference only.

II. SCOPE OF SERVICES

We were engaged by the management of the Company to assist in their determination of the fair value of the Equity Interest in the Target Company as at the Valuation Date.

III. BASIS OF VALUATION

We have performed the valuation on the basis of fair value which is defined as "*the estimated price for the transfer of an asset or liability between identified knowledgeable and willing parties that reflects the respective interests of those parties*".

Our valuation has been prepared in accordance with the International Valuation Standards (2013 Edition) on business valuation published by International Valuation Standards Council. This standard contains guideline on the basis and valuation approaches used in business valuation.

IV. PREMISE OF VALUE

Premise of value relates to the concept of valuing a subject in the manner in which it would generate the greatest return to the owner of the property, taking account of what is physically possible, financially feasible, and legally permissible. Premises of value include the following:

1. **Going concern**: appropriate when a business is expected to continue operating without the intention or threat of liquidation in the foreseeable future;

2. **Orderly liquidation**: appropriate for a business that is clearly going to cease operations in the near future and is allowed sufficient time to sell its assets in the open market;

3. **Forced liquidation**: appropriate when time or other constraints do not allow an orderly liquidation; and

4. **Assembled group of assets**: appropriate when all assets of a business are sold in the market piecemeal instead of selling the entire business.

This valuation is prepared on a going concern basis.

V. LEVEL OF VALUE

Current valuation theories suggest that there are at least three basic "levels" of value applicable to a business or business interest. The levels of value are respectively:

1. **Controlling interest**: the value of the controlling interest, always evaluate an enterprise as a whole;

2. **As if freely tradable minority interest**: the value of a minority interest, lacking control, but enjoying the benefit of market liquidity; and

3. **Non-marketable minority interest**: the value of a minority interest, lacking both control and market liquidity.

This valuation was prepared on a controlling interest basis.

VI. SOURCES OF INFORMATION

Our analysis and conclusion of opinion of value were based on our discussions with the management of the Company, as well as reviews of key documents and records, including but not limited to:

1. Management accounts of the Target Company for the period ended 30 September 2015;

2. Game operating data of the Target company for the quarter ended 30 September 2015;

3. The organization structure of the Target Company as at 30 September 2015;

4. The Target Company's company introduction presentation; and

5. Disclosed circulars and announcement documents on Shenzhen and Shanghai Stock exchange.

We also relied upon publicly available information from sources on capital markets, including industry reports, and various databases of publicly traded companies and the news.

VII. ECONOMIC OVERVIEW

In conjunction with the preparation of this valuation, we have reviewed and analysed the current economic conditions of China and Hong Kong where the profit of the Target Company is derived, and how the valuation may be impacted.

HONG KONG

7.1. GDP Growth in Hong Kong

Hong Kong, a global free port and financial hub, continues to thrive on the free flow of goods, services and capital. As the economic and financial gateway to China, and with an efficient regulatory framework, low and simple taxation, sophisticated capital market and excellent telecommunications, Hong Kong continues to offer the most convenient platform for international companies doing business in Mainland China.

As of 2014, the territory continues become the world's freest economy and one of the most services-oriented economy, with services sector contributing for more than 90% of Hong Kong's Gross Domestic Product ("GDP").

According to the World Economic Outlook Database published by International Monetary Fund ("IMF") as of April 2015, the real GDP of Hong Kong has increased by 2.9% and 2.3% in 2013 and 2014 respectively after the gradual recovery from the global financial tsunami in 2008 and the euro debt crisis in recent years. The economic growth in 2013 and 2014 mainly attribute to a visible improvement in external trade upon the strong growth in the Mainland tourism and some stabilisation of the euro debt crisis. In 2015 the economy is predicted to grow by 2.8%. The following graphs illustrate the real growth of GDP in Hong Kong from 2010 to 2014 and the forecast from 2015 to 2019 respectively.

Figure 7 – 1 Summary of Real GDP growth (%) in Hong Kong from 2010 to 2014

Source: World Economic Outlook Database, April 2015, IMF

Table 7 – 1 Forecast of Real GDP growth (%) in Hong Kong from 2015 to 2019 from 2015 to 2019

	2015 F	2016 F	2017 F	2018 F	2019 F
Real GDP Annual Growth Rate	2.81%	3.12%	3.36%	3.42%	3.47%

Source: World Economic Outlook Database, April 2015, IMF

7.2. Inflation in Hong Kong

Inflation continued its easing trend in recent years. With steady increases in labour costs and mild imported inflation, IMF reported that the inflation rate in Hong Kong was recorded at 4.4% in 2014. With the softening of global commodity prices in the past year, imported inflation will remain mild. Retail sales have weakened recently, and rental pressure is less than that in previous years. The Hong Kong government targets to achieve inflation rate of 3.5% in the long run, the inflation rate for 2015 is expected to drop to 3.2%. The following graph and table illustrate the inflation trend in Hong Kong from 2010 to 2014 and the inflation forecast in Hong Kong from 2015 to 2019 respectively.

Figure 7 – 2 Summary of inflation rate in Hong Kong from 2010 to 2014

Source: World Economic Outlook Database, April 2015, IMF

Table 7 – 2 Forecast of Inflation rate (%) Forecast in Hong Kong from 2015 to 2019

	2015 F	2016 F	2017 F	2018 F	2019 F
Inflation (% change in average consumer prices)	3.2%	3.4%	3.5%	3.5%	3.5%

Source: World Economic Outlook Database, April 2015, IMF

7.3. Export growth in Hong Kong

Hong Kong exporters' confidence dropped to its lowest level in recent years. Total volume of goods exports in 2014 has only 1.0% increase compared to 6.5% in 2013. Yet, Hong Kong exporters are more optimistic over the medium term. According to the research conducted by Hong Kong Trade Development Council, the growth of goods exports is expected to reach overall 2.3% in 2015 and 73% of respondents expect their sales to increase or remain unchanged. The following figure illustrates the growth in the volume of exports in Hong Kong from 2010 to 2014.

Figure 7 – 3 Summary of export growth (%) in Hong Kong from 2010 to 2014

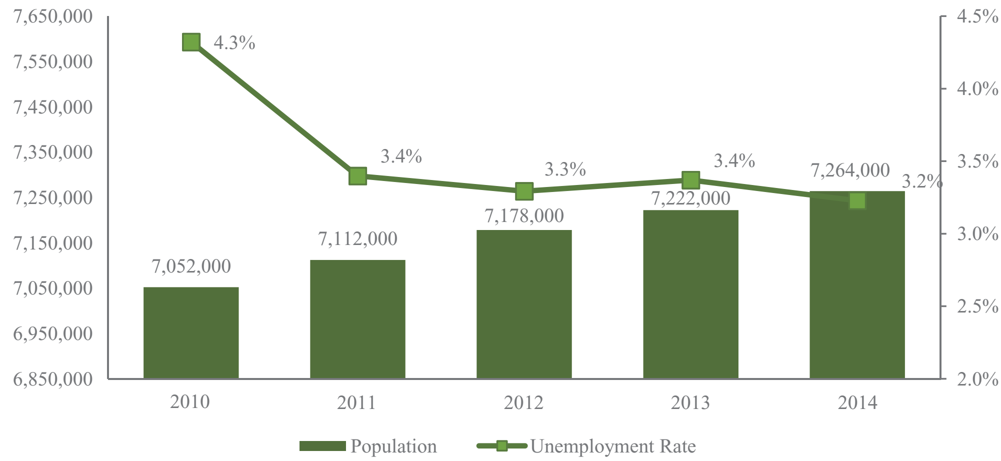
Source: World Economic Outlook Database, April 2015, IMF

Major export market of Hong Kong is China, the United States, the European Union, ASEAN and Japan, which accounts for approximately 54%, 9%, 9%, 8% and 4% of total exports in first 4 months of 2015, respectively. According to the Trade and Industry Department, Hong Kong was ranked the 8th in the world's largest trading economy and the 15th in the world's largest exporter of commercial services.

7.4. Unemployment Rate & Population in Hong Kong

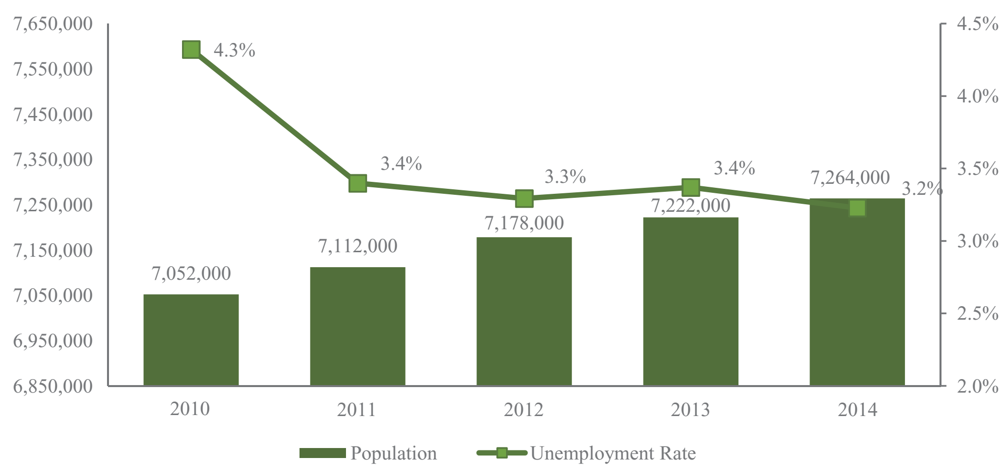
The population in Hong Kong has been increasing steadily from 7.05 Million in 2010 to 7.26 Million in 2014, while unemployment rate has dropped from 4.3% in 2010 to 3.2% in 2014. The population is estimated to reach 7.48 Million in 2019 and the unemployment rate in the long run would stay at around 3%. The following graphs show the trend of population growth and unemployment rate in Hong Kong from 2010 to 2014 and the forecast from 2015 to 2019 respectively.

Figure 7 – 4 Summary of unemployment rate and population in Hong Kong from 2010 to 2014



Source: World Economic Outlook Database, April 2015, IMF

Figure 7 – 5 Forecast of Population and Unemployment rate in Hong Kong from 2015 to 2019



Source: the World Economic Outlook, April 2014, IMF

7.5. Government Policy and Political Environment in Hong Kong

The 2015-16 Budget laid out supportive taxation measures to promote long-term development of Hong Kong and strengthen its position as an international business hub. The government aims at 1) raising the efficiency in the flows of people, goods, capital and information, providing an favourable environment for start-up and technology industries to flourish; 2) consolidating the core competence of the four pillar industries; 3) helping SMEs such as intellectual property consulting and talent management in coping with various challenges and 4) outlining and providing measures to overcome the constraints of manpower, land supply and an aging population to Hong Kong's future development.

The 2015 Policy Address also highlighted that the Hong Kong Government will focus to achieve the following targets:

1. Submit proposals to complement the National 13th Five-Year Plan.

2. Actively liaise with Guangdong for favourable treatment and opportunities for Hong Kong people and enterprises in the planning and development of Nansha, Qianhai and Hengqin.

3. Prepare for establishment of the Insurance Authority to promote the development of the insurance industry.

4. Enhance the functions of the Hong Kong Maritime Industry Council to foster the development of high value-added maritime services and nurture talent; support the Airport Authority to implement the three-runway system project.

5. Increase the number of Economic and Trade Offices in Asia to help business and investors tap Asian markets.

6. Inject HKD 5 billion into the Innovation and Technology Fund and set up an Enterprise Support Scheme to enhance funding support for private sector R&D projects.

7. Inject funding into the Film Development Fund and adopt strategy to promote the development of creative industries.

8. Commence discussion on Phase 2 development of Hong Kong Disneyland Resort.

9. Consider constructing a new convention centre above the Exhibition Station.

10. Propose a new agricultural policy and supportive measures, including an Agricultural Park and a Sustainable Agriculture Development Fund.

CHINA

7.6. Nominal GDP Growth in China

In the period of 12th Five-year plan (2011-2015), the status of economic development has been altered from rapid growth to medium-high speed growth. Nonetheless, the slowdown of the economic expansion was not a turning signal of economic downturn, but in fact it was matched with the expectation of Chinese government. Upon the inauguration of Chinese President Mr Xi Jinping and the new government officials in 2013, the core of economic policy has shifted from focusing on short-term stimulus to no stimulus, deleveraging and structural reform on the national economy. Premier Mr Li Ke Qiang has expressed his administration's policies, named as "Likonomics", on the future direction of Chinese economy. In the nutshell, it represents short-term pain in the economy would bring to long term gain.

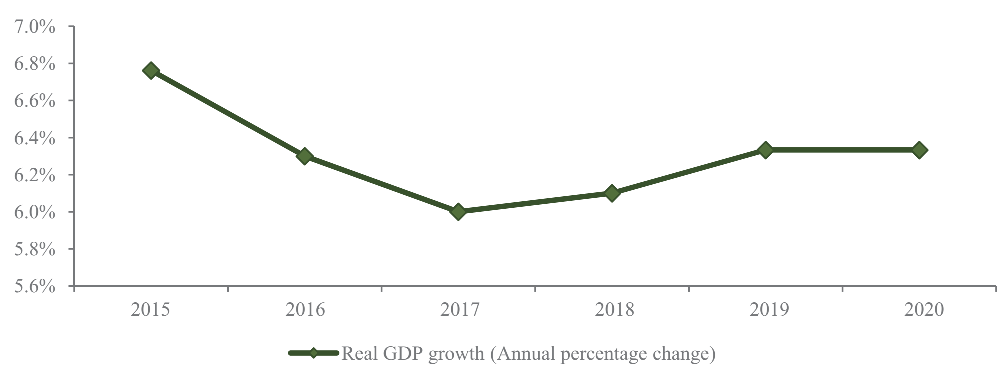
Table 7 – 3 Real GDP Annual Growth Rate and Inflation Rate of China from 2010 to 2014

	2011A	2012A	2013A	2014A	2015F
Real GDP Annual Growth Rate (%)	9.30	7.76	7.75	7.36	6.76
Inflation Rate (%)	5.40	2.65	2.62	1.99	1.20

Source: World Economic Outlook Database, April 2015, IMF

In accordance with the forecast published by IMF, the overall real GDP growth is at 7.4% in 2014, while the projection of the real GDP growth in the next five year would follow a steady decline from 6.8% in 2015 to 6.3% in 2019, which is in line with the Mr Li's administration direction. The following diagram shows the real GDP annual growth rate forecasts from 2015 to 2020.

Figure 7 – 6 Forecasts of Real GDP Annual Growth Rate of China



Source: World Economic Outlook Database, April 2015, IMF

According to "World Economic Outlook Database (April 2015)" by IMF, the Chinese economy was ranked 2nd in terms of size in 2014, it possesses the greatest growth prospect among top six economies in the world. It is worth noting that the gap between the United States and China was projected to be narrowing over time.

Table 7 – 4 Worldwide GDP

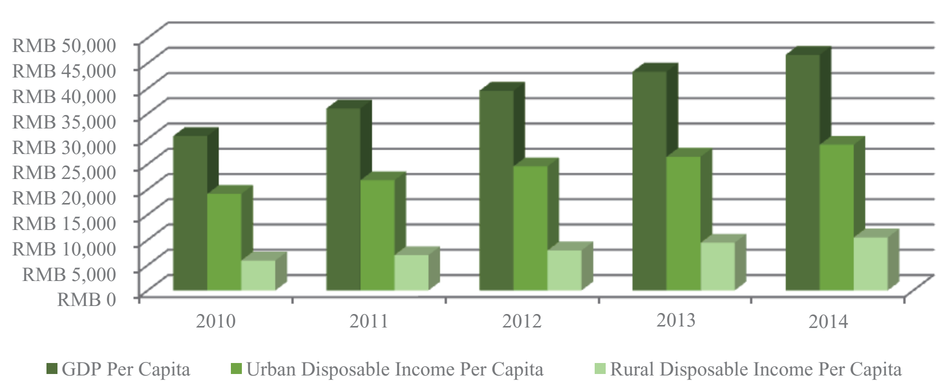
	Country	**GDP – Billions of the United States Dollar ("USD")**							
		2014A	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**	**2020F**	**2021F**
1	United States	17,419	18,125	18,959	19,865	20,769	21,615	22,489	17,419
2	China	10,381	11,212	11,968	12,684	13,876	14,969	16,157	10,381
3	Japan	4,616	4,210	4,348	4,489	4,592	4,751	4,934	4,616
4	Germany	3,860	3,413	3,514	3,643	3,781	3,930	4,405	3,860
5	France	2,847	2,470	2,526	2,623	2,735	2,861	3,013	2,847
6	Brazil	2,353	1,904	1,928	2,030	2,132	2,241	2,354	2,353

Source: World Economic Outlook Database, April 2015, IMF

7.7. GDP per Capita in China

The disposable income level, being a good measure, has grown significantly over the past few years. According to the National Bureau of Statistics of China, annual disposable income per capita of urban households in China has increased from RMB19,109 in 2010 to RMB28,844 in the 2014, representing a compound annual growth rate ("CAGR") of approximately 10.8%; annual disposable income per capita of rural households has increased from RMB5,919 in 2010 to RMB10,489 in 2014, representing a CAGR approximate to 15.4%. The following diagram shows the GDP per capita, annual urban and rural disposal income per capita from 2010 to 2014.

Figure 7 – 7 GDP per Capita of China



Source: National Bureau of Statistics of China

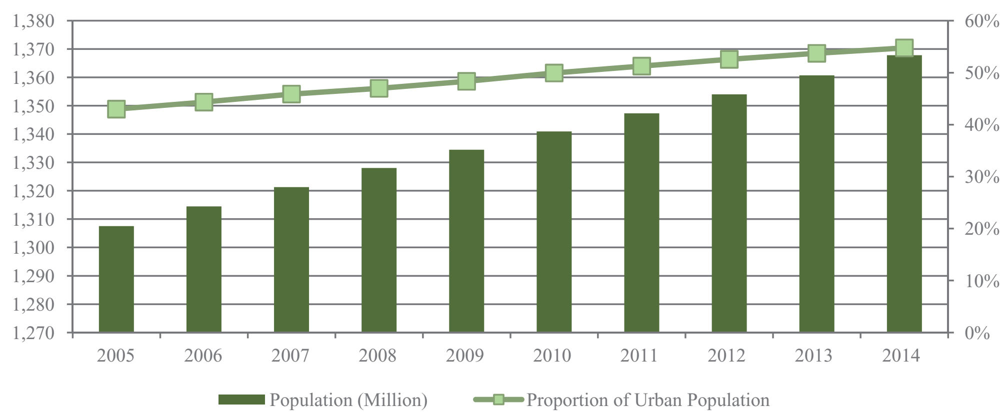
7.8. Population in China

The population of China accounts for almost one fifth of the world's population. According to the National Bureau of Statistics of China, the population has grown from 1.31 billion in 2005 to 1.37 billion in 2014, representing a CAGR of approximately 0.50%.

The proportion of urban population in China increased from 42.99% in 2005 to 54.77% in 2014, representing a CAGR of approximately 2.73%.

The following diagram shows the population growth and corresponding urban population growth in China from 2005 to 2014.

Figure 7 – 8 Population and Portion of Urban Population in China



Source: National Bureau of Statistics of China

Population growth is expected to be steady in this decade. Population growth along with increasing urbanization and expansion of the middle class are particularly important to support the future growth of the domestic demand on affordable luxury goods, such as vehicles, luxury watches, etc. Steadily growth in population together with improving living standard continuously derives a strong demand on housing and transportation. On the other hand, the unemployment rate was recorded at around 4.1% for the past few years, and it is estimated the status will not change from 2015 to 2019.

Table 7 – 5 Population Forecast of China

	2014A	**2015F**	**2016F**	**2017F**	**2018F**	**2019F**
Population (Million)	1,367.820	1,374.957	1,381.131	1,389.343	1,396.592	1,403.880
Unemployment rate (%)	4.09	4.09	4.09	4.09	4.09	4.09

Source: World Economic Outlook Database, April 2015, IMF

Although the one-child policy has curbed the growth of birth rate in China, the rising trend of China's population has not been slowed down in few decades. At the same time, the side effect of the policy has started to reflect in the current decade; the number of elderly people is rising and this age group is forecasted to grow in the next few decades. Put it in another way, we would thus expect the Chinese government would introduce corresponding fiscal policies to cope with the arising social problems.

Table 7 – 6 Age Distribution of China

Age distribution	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
0-14 (Million)	265	260	256	252	247	223	222	223	223	223
15-64 (Million)	941	950	958	965	974	999	1,002	1,003	1,006	1,004
>=65 (Million)	101	104	107	110	113	119	123	127	132	138

Source: National Bureau of Statistics of China

7.9. Inflation in China

Managing inflation risk has been one of the key missions for the China's government since 2010. The latest economic data released by National Bureau of Statistics of China indicated that the inflation rate was reported at 1.2% in May 2015 on year-over-year basis, as compared with that of 2.3% in June 2014. China is expected to continue a prudent monetary policy, keep money supply, deliver the state-led investment to a reasonable level, and optimize financing and credit structures in the future.

In comparison to the inflation of world's average and of emerging and developing economies, the outlook of China's inflation is far left behind. The continual appreciation on Chinese currency and the dominating role of export in China economy were the primary reasons.

Table 7 – 7 Annual Inflation Forecasts of China

	Inflation, Average Consumer Prices Changes (%)						
	2014F	2015F	2016F	2017F	2018F	2019F	2020F
World	3.45	3.20	3.34	3.47	3.48	3.50	3.51
Emerging and developing economies	5.10	5.41	4.81	4.59	4.50	4.53	4.48
China	1.99	1.20	1.50	2.00	2.50	3.00	3.00

Source: World Economic Outlook Database, April 2015, IMF

7.10. Government Policy in China

During the end of the period of 12th Five-year plan, China will maintain stable economic policies and a prudent monetary policy, the GDP growth is rebalancing at an achievable rate of 7.1% amid lower export demand in 2015, said by Premier Li. A report issued by The World Bank in June 2014 has reconfirmed that the expectation is achievable.

The Chinese government is currently drafting the blueprint of the 13th Five-year plan which will begin in 2016. More or less, the plan will inherit the spirit of the previous in developing science and technology, deepening environmental protection policies, but to solidify the whole economy. Under the slump of crude oil price and raising deflation risk of the EU countries, it is estimated that the Chinese government will adopt a stable and conservative economic policies in 2015, the government will continue the ongoing plans and focus on resolving the imminent problem within the nation, such as modifying the financial system and intensifying anti-corruption measures.

In the Central Economic Work Conference held in Beijing at the end of 2014, the top leaders of the Communist Party of China emphasised that the main tasks in 2015 were as follows:

- Deleveraging the state-led investment;
- Restructuring economy;
- Controlling debt risks;
- Encouraging Chinese companies to invest oversea, and expand their operations in other countries;
- Improving people's livelihood; and
- Stepping up environmental protection.

Overall speaking, inflation was mild and the economy may suffer a short-term slowdown, but it is just the part of the structural reform of the economy as stated in Likonomics. Currently, it leaves policy makers sufficient flexibility if they believe the economy needs any stimulation policies.

VIII.INDUSTRY OVERVIEW

8.1. Chinese Online and Mobile Gaming Market

Following a decade of fast growth, the traditional PRC online gaming market has gradually come to a mature stage where prior gaming products have come to their innovation thresholds. This happens predominately in the PC game market, where PC developers has smelt the shift in market tastes and has quickly re-positioned their target to mobile games, a new market segment believed to have much higher growth potential.

The gaming market has traditionally been represented by PC games and webpage games. Driven by the recent hardware development of the smartphones, online game producers can now impress their larger-than-ever player base with mobile games powered by cutting edge engines with much enhanced gaming experience. Not only has the mobile concept succeeded in attracting new gamers that had never ever played online games, but also the mobile games have gradually squeezed their PC counterparts out of the market. The mobile game market has made its record highs of RMB 10 billion and 11.4 billion in 2015 Q1 and Q2 respectively. Under the current momentum, the mobile game market is expected to achieve a size of RMB 45 billion in 2015, up 64% from the prior year. By the end of 2015, the total number of mobile gamers is expected to exceed 400 million, equivalent to approximately 3 gamers for every 10 Chinese.

Figure 8 – 1
China Online Games Revenue (YoY)
2011 – 2018

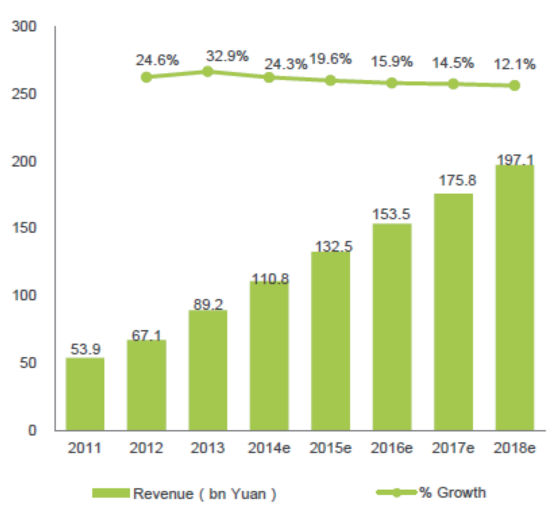
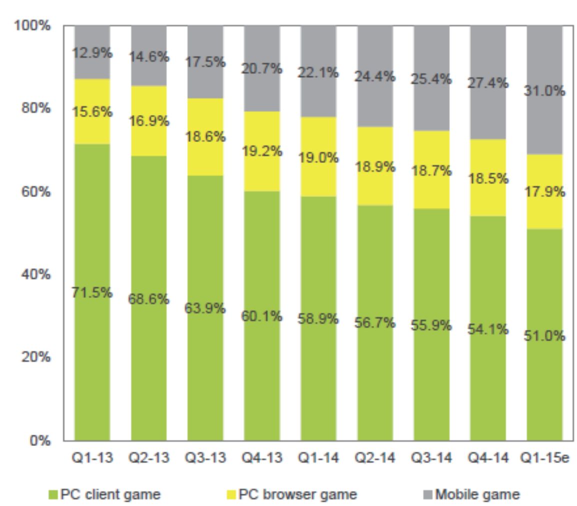


Figure 8 – 2
China Online Games Revenue Structure
2011 Q1 – 2015 Q1

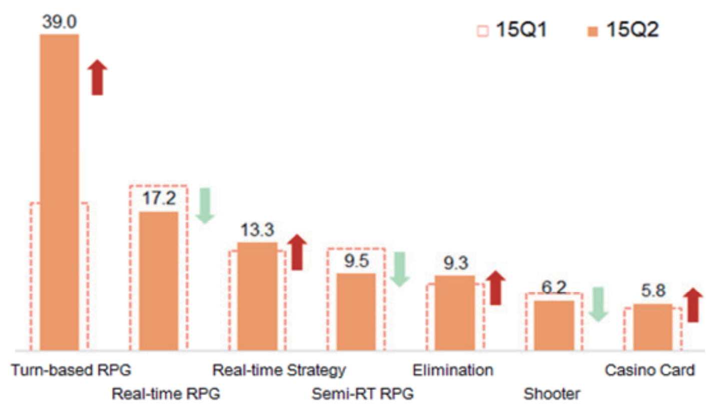


Source: 2015 China Mobile Game Report, iResearch

8.2. Categories of Mobile Games

The mobile game market is segmented by various categories of games, such as round-based Role-play games ("RPG"), instant RPG, instant strategy, simulation games, etc. To cater for the dynamic trends of gaming experience, game developing companies often develop and maintain a portfolio of games simultaneously (around 3 – 5 games) to satisfy different types of gamers. As of 2015 Q2, the size of the sub-markets of the mobile games is shown as follows:

Figure 8 – 3 Market Size by Major Game Categories, 2015 Q1 and Q2



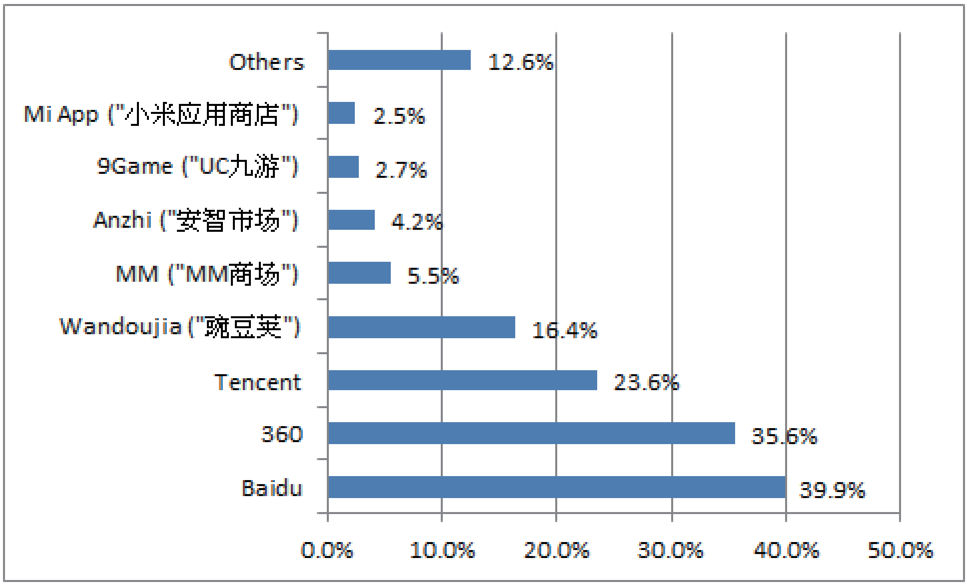
(Presented in RMB 100 Million)

Source: 2015 China Mobile Game Report, iResearch

8.3. Distribution Channels

To penetrate a market with hundreds of millions of users, game portals have served the critical roles as marketers and distributors in the value chain. Fuelled by the massive growth in consumer spending, many industry players have competed to enter this portal market. Traditional internet tycoons, such as Baidu, Tencent and 360, have effectively leveraged their gigantic existing client base to secure a significant share of the portal market. As industry consolidation goes on, weaker platforms will gradually either be wiped out or be acquired by their strong counterparts. In terms of the popularity of the portal measured by user coverage, the game research database Analysys-eGR has summarised the following illustrative bar chart:

Figure 8 – 4 User coverage by Game Portals, 2014

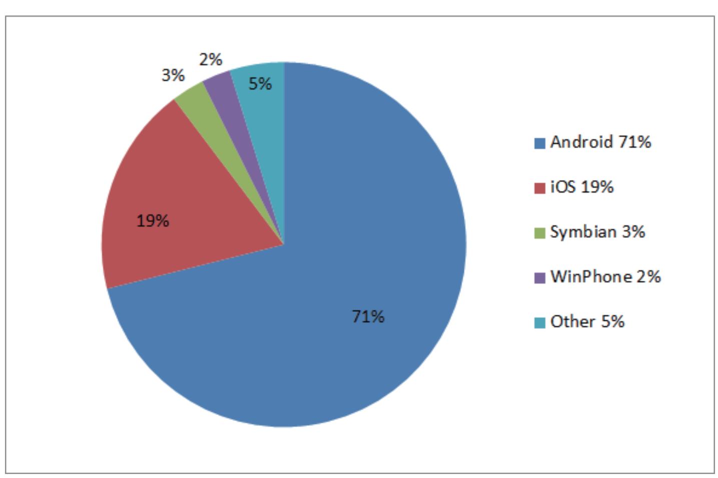


Source: Analysys-eGR

While the largest game portals (e.g. Baidu and 360) distribute games from almost all categories, several mid-size game portals may be specialised in a few game types. Base on level of the gamers' commitment, games can be further classified from light-core games (Card, chess) to hard-core games (RPG, Action, Strategy). As such, portals and platforms can be organised to serve gamers with similar preference.

Similar to PC games, mobile games can only be operated under their designated system environment. Not surprisingly, Android and iOS have together dominated more than 90% of the market. The breakdown of the market with respect to gaming platform is as follows:

Figure 8 – 5 Game Users by Operating System in 2015 Q2



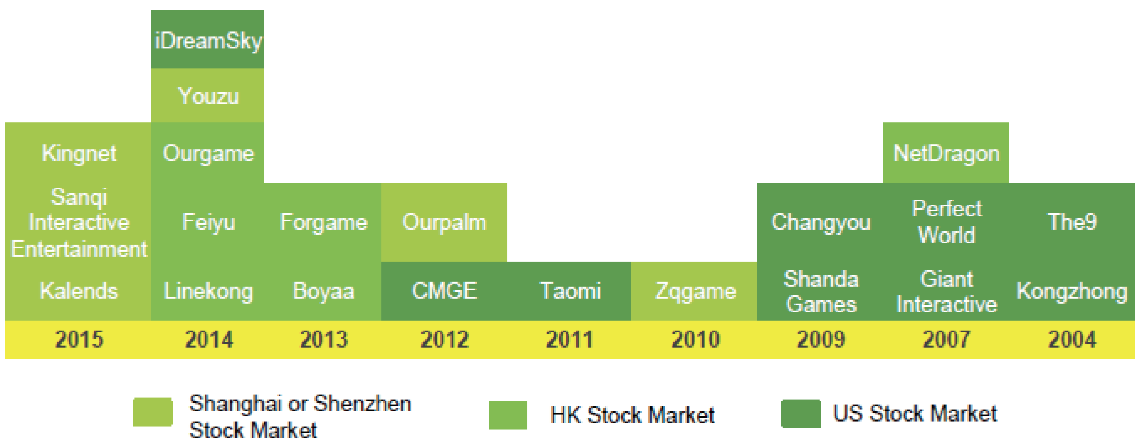
Source: GCA Market Research

8.4. Recent Tides of Capital Moves

Following the recent rapid development of the mobile games market, the industry has significantly speeded up its strategic move in the capital market. In 2014, the number of industry IPO has reached its new high for the PRC capital market. Given the higher valuation in PRC than the US stock market, game platforms and developers generally favour to get listed in the PRC stock market.

The following timeline shows the major IPOs happened in the past decade:

Figure 8 – 6 IPO of Online Game Industry, 2004 – 2015



Source: iResearch

The online game industry has also showed a boom in merger and acquisition ("M&A") activities in 2013 and 2014. Among these M&As, mobile games account for around 90% of the activities as show in the table below. The major industry players have targeted to fuel their massive expansion in ways of acquisitions. Private developers with proven successful games are target candidates with high potential.

Figure 8 – 7 Number of Merger and Acquisition from 2013 to April 2015

	Number of Acquirers	Number of Targets	Amount (RMB Billion)	% Mobile Games
Jan – Apr 2015	9	14	10.23	99.2%
2014	29	35	33.29	89.9%
2013	19	27	16.36	68.7%

Source: 2015 China Mobile Game Report, iResearch

As shown from the above table, the total deal value in 2014 in respect of mobile games has reached RMB 30 billion, surpassing the 2014 mobile game market of RMB 27 billion.

8.5. Conclusion

The industry players have successful transformed their product focus from PC oriented to games running on mobile devices. Supported by intense capital actions, the industry is expected to mark its record high market size of RMB 45 billion in 2015, up 64% from prior year. Given the current market trend, it is generally believed that the mobile game market will continue to boom in the near future in the PRC market, as PRC citizens has shown gradual increase in their household consumption in gaming and entertainment.

IX. COMPANY OVERVIEW

9.1 China Packaging Holdings Development Limited (the "Company")

The Company is engaged in the design, manufacturing, printing and sale of paper-based packaging products, which include flexo-printed cartons and offset-printed cartons to its customers in the PRC. The Company's products are generally used in packaging in a wide variety of products.

9.2 Binghe (Xiamen) Information Technology Company Limited (the "Target Company")

The Target Company is engaged in research and development, distribution and operation of online mobile games since its incorporation in 2008. Since 2015 summer, the Target Company has launched 2 of its flagship online games, Dashengchuanshuo ("大聖傳說") and diguoyingxiong ("帝國英雄") on major PRC gaming portals, such as 360 and 創娛網絡.

X. PROFILE OF THE MANAGEMENT AND DEVELOPERS

One of the key assets of the game developing companies is the intelligence and know-how brought by the personnel of their core developers. For the Target Company, the following experienced personnel have been recognised for their competency in management and development and effort in new innovations.

- **Hanbing Lv ("呂寒冰") – Senior Management**

  Mr Lv is experienced in the development of various mobile games. He was previously appointed by Microsoft as the honourable Community Star ("社區之星"). Mr Lv was graduated from University of Electronic Science and Technology of China and was qualified with Oracle and SCJP accreditation.

- **Jie Lin ("林杰") – Senior Management**

  Mr Lin has 8 years of experience in game distribution and marking. Prior to joining the Target Company, he took on major sales and marketing role for the NetEase Group and 35.com for various successful games, such as Tianxia 2 ("天下2"), Datangwushuang ("大唐無雙") and Qiannuyouhun ("倩女幽魂"), etc.

- **Hongyi Zou ("鄒宏毅") – Core Developer**

  Mr Zou has 10 years of experience in game development. Prior to joining the Target Company, he has developed a few remarkable games, including "Mingchaoshidai 明朝時代" (monthly recharge above RMB30 million), "Taiguzhetian 太古遮天", (monthly recharge above RMB30 million), "Liujiexianzun 六界仙尊" (monthly recharge above RMB40 million). Mr Zou is currently the core developer of Dashengchuanshuo ("大聖傳說") of the Target Company.

- **Jiawei Zheng ("鄭甲偉") – Core Developer**

  Mr Zheng has 10 years of experience in game development. Prior to joining the Target Company, he has developed a few renowned games such as "Zhenwufengshen 真武封神" (monthly recharge above 10M) and "Aoshifengshen 傲視封神" (monthly recharge above 10M).

- **Guoyan Bu ("卜國炎") – Core Developer**

  Mr Bu has 10 years of experience in game programming. He has previously engaged in the development and programming of "Menghuanfeixian 夢幻飛仙" and "Qingshiqingyuan 傾世情緣"

  We have interviewed the core management from the Target Company's management and the core developers during our visit in October 2015. The management and developers' team has demonstrated technical capability and vision towards mobile game development.

XI. VALUATION METHODOLOGY

The valuation of any asset can be broadly classified into one of three approaches, namely the asset approach, the market approach and the income approach. In any valuation analysis, all three approaches must be considered, and the approach or approaches deemed most relevant will then be selected for use in the fair value analysis of that asset.

11.1 Asset Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods based on the value of the assets net of liabilities.

Value is established based on the cost of reproducing or replacing the property, less depreciation from physical deterioration and functional and economic obsolescence, if present and measurable.

11.2 Income Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that convert anticipated benefits into a present value amount.

In the income approach, an economic benefit stream of the asset under analysis is selected, usually based on historical and/or forecasted cash flow. The focus is to determine a benefit stream that is reasonably reflective of the asset's most likely future benefit stream. This selected benefit stream is then discounted to present value with an appropriate risk-adjusted discount rate. Discount rate factors often include general market rates of return at the valuation date, business risks associated with the industry in which the company operates, and other risks specific to the asset being valued.

11.3 Market Approach

This is a general way of determining a fair value indication of a business, business ownership interest, security, or intangible asset by using one or more methods that compare the subject to similar businesses, business ownership interests, securities, or intangible assets that have been sold.

Value is established based on the principle of competition. This simply means that if one thing is similar to another and could be used for the other, then they must be equal. Furthermore, the price of two alike and similar items should be approximate to one another.

There are several different methods and variations under the market approach:

- Guideline Publicly Traded Company ("GPTC") Method: Under GPTC, the fair market value is derived from trading price multiples of a selected set of comparable companies (i.e. guideline companies). The price multiple is a value measure computed by dividing the consideration of the guideline company by some relevant economic variable(s) observed or calculated from guideline company's financial fundamental data (such as net profit, EBIT, book value, etc) as at the valuation date. A major challenge in applying the GPTC method is to identify an adequate number of public companies that are comparable to the subject company in terms of principal business and associated risks.

- Guideline Merger and Acquisition Method ("GMA"): Under GMA, the fair market value is derived from the acquisition prices at which business similar to that of the Target Company exchanged. GMA provides an indication of value by comparing the prices at which business of similar properties (business nature and risk assumed) are being exchanged between willing buyers and sellers. When GMA is applied, an indicative value is derived by referring to the consideration for acquisition of comparable companies. Application of GMA is subject to the following requirements:

  1. Existence of historical (and recent) comparable transactions;

2. Availability of open information on comparable transactions; and

3. Arm's length transaction between the independent uncontrolled parties

11.4 Selected Approach for Valuation

The Target Company was incorporated in 2008. Since the launch of its flagship games in summer 2015, it has started to demonstrate its business profitability. Same as its industry peers, the immediate value of the Target Company is derived from the capability of its self-developed games from generating revenue from its users. As we observe from the short-lived nature of common mobile games (from 6 – 18 months), the long term sustainable value of the Target Company depends on the effort of its core developing team to accurately identify the latest gaming trends and produce relevant mobile games that generate revenue.

Under the asset approach (defined in Session 11.1), the equity interest in the Target Company is determined based on the replacement cost or reproduction cost rather than the ability to generate streams of benefits in the future. For Target Company, future economic benefits will be generated from the technical know-how of the developing team, instead of the machinery & equipment held by the Target Company. As such, the value is typically much higher than the cost of its assets. If the asset approach is used, the future economic benefits from the Target Company cannot be reflected in the equity interest in the Target Company. Hence, the asset approach is rejected.

Under the income approach (defined in Session 11.2), the equity interest in the Target Company is determined based on estimate of projected inputs, such as forecasted revenue and game development costs, risk-adjusted discount rates. The value output will be sensitive to the input estimates. As such, the income approach is rejected. In addition, the cash flow of typical mobile game developers affected by aging of existing games and launch of new games. The level of success and hence cash flow of a particular new game is usually difficult to predict. As a result, the fair value of the Target Company cannot be estimated reliably by income approach.

Under the market approach (defined in session 11.3), the equity interest in the Target Company is determined based on the pricing of recent comparable transactions. The GPTC method is not applied since it is difficult to identify an adequate number of public companies which are principally engaged in game development (but engaged in multiple business of running game platforms, game marketing, distribution and development). Finally, we have identified 12 comparable transactions, of which 8 of them were completed and 4 of them were pending. Given the data availability of the transactions and the highly relevant nature of the comparable targets, the GMA market approach is the most preferred method.

With reference to the GMA approach, we have observed data from recent comparable transactions to form a range of acquisition price-to-fundamental multiples. The fundament driver selected is the adjusted value per monthly paying user ("MPU") of the comparable developer in the most recent month before the transaction, where the derivation of the adjusted value per MPU is listed as follows:

value per MPU	=	total consideration of the comparable transaction / number of MPU
adjusted value per MPU	=	value per MPU x Target Company revenue per paying user ("ARPPU") / ARPPU of the comparable transaction companies

The ARPPU is calculated by the monthly amount received by the game portals when game users top-up their account namely monthly recharge divided by the MPU. From the Target Company's perspective, it will receive a pre-determined percentage of the monthly recharge from its cooperating portals as its source of revenue. If a comparable company's monthly recharge data is unavailable or too volatile, we will take the average of the monthly recharge in the recent period immediately before the transaction in calculation for the ARPPU. Given the relevancy of adjusted value per MPU to assess the monetisation power of the users in the games developed by the team, we have confirmed to apply the GMA market approach for the subject valuation.

XII. GENERAL ASSUMPTIONS

A number of general assumptions have to be established in order to sufficiently support our conclusion of fair value. The general assumptions adopted in this valuation as of the Valuation Date were:

1. There would be no material change in the existing political, legal, fiscal, foreign trade and economic conditions in the countries where the Target Company is carrying on its businesses;

2. There would be no significant deviation in the industry trends and market conditions from the current market expectation;

3. There would be no material change in interest rates or foreign currency exchange rates from those currently prevailing;

4. There would be no major change in the current taxation law in the country where the Target Company and the comparable companies were operated.

5. All relevant legal approvals, business certificates or licenses for the normal course of operation are formally obtained, in good standing and that no additional costs or fees are needed to procure such during the application;

6. The core management and the game development team would sustain the technical capability and vision to develop new games to support the ongoing cash flow and earnings of the Target Company. This assumption is implied from the comparable merger and acquisition transactions in which market participants are willing to pay for a multiple of latest earning or cash flow record of the targets;

7. Future revenue growth for the Target Company would not deviate significantly from its industry; and

8. The Target Company will retain competent management, key personnel, and technical staff to support the ongoing business operations.

XIII.MARKET APPROACH

13.1 Application of the Guideline Merger and Acquisition Method

The premises behind GMA Method is that consideration transferred from the similar transactions in a similar industry of the Target Company provide objective evidence on the values at which investors are willing to buy and sell the equity interest of the Target Company.

For the subject valuation, 12 identified comparable transactions were considered to have conducted/arranged in an arm's length manner under the willingness and well-knowledge of all the parties involved. 8 comparable transactions were completed within around a year from the Valuation Date, while 4 more recent transactions were in the progress of regulator's review. As such, it is reasonable to conclude both the reliability and relevancy of the comparable transactions. Accordingly, we have derived the subject valuation using the GMA approach.

In applying GMA Method, we compute a valuation multiple (i.e. adjusted value per MPU) and apply the median multiple to the Target Company being valued and arrive at an estimate of value of the equity interest.

Data and information are available for recently ongoing and completed market transactions with similar characteristics to the Target Company in terms of their role and function in the value chain, type of game produced and profit sharing mechanism with the game portals. These attributes are considered relevant in deciding the comparability of the transaction.

An underlying assumption when using the GMA method is that the deal pricing of the comparable transactions have made reference to their latest MPU and ARPPU and further expectation at the time of the transactions. In other words, the method assumes that the comparable transactions were priced under similar growth expectation as our Target Company was as at the valuation date.

13.2 Determination of the Key Value Drivers

The adjusted value per MPU is defined as the total monthly recharge recognised when the users top-up their game accounts via various portals and platforms. The adjusted value per MPU was our primary economic variable for assessing the monetising power of fast moving e-commerce and internet business. In particular, it can be further derived from the following four factors:

- Comparable transaction consideration;
- Number of MPU;

- ARPPU of the Target Company; and
- ARPPU of the comparable companies.

Apart from adjusted value per MPU, other typical relevant numerical indicators were considered. Given that the relevant comparable transactions had only limited disclosure of this data, we would only make secondary reference to them if available.

- Number of registered users and active users;
- User retention over 2 days, 3 days, weekly and biweekly;
- Percentage of paying users; and
- Net commission rate.

Non numerical indicators were also relevant to the sustainable growth of the Target Company. Factors below were assessed during our onsite visit during October 2015.

- Management's vision and key development directions;
- Planned release of new games in 2016;
- Key members' proven track records of achievements; and
- Collaboration with game platforms and other intellectual property ("IP") providers.

From our observation, there was no noticeable evidence showing that the performance of the Target Company was below its comparable companies.

13.3 Adjustment Factor

The Target Company's games were only launched in 2015 Q3 with a significant percentage of unearned monthly recharge as of the Valuation Date. As such, based on the management's estimate, we only took 75% of the Target Company's average realised monthly recharge to proxy the long run estimation of the sustainable ARPPU, for better comparability with the GMA transactions.

13.4 Selection of Guideline Merger and Acquisition Transactions

In choosing the comparable transactions in this case, we focused on the primary business activities of the target companies. We have selected transactions with targets engaging in similar business activities as that of the Target Company. We have identified 8 completed and 4 recently announced comparable PRC transactions from 2014 to 2015 with readily available transaction data. Given that these transactions involved a listed company purchasing a private game developer, the transaction data were readily accessible from the announcements and circular documents of the listed purchasers. The 8 completed transactions were selected for conclusion purpose.

Ideally, the comparable target companies should be engaged in the development of same type of mobile games as the Target Company did (i.e. Role-play card games). However, due to the limited number of transactions with targets of exact product mix, we decided to consider all mobile game developer transactions relevant. Based on our available resources and given the selection criteria as set below, on a best and unbiased basis and to the best of our knowledge, these samples were sufficient for conclusion of fair value of the Target Company but may not be exhaustive.

The following list has showed the comparable transactions we have reviewed in connection with the valuation of the Target Company:

Table 13.4a – Guideline Merger and Acquisition Transactions:

#	Date of Announcement	Current Status	Listed Acquirers	Target Developers	Game Example
1	Jan 2014	Completed	Zhejiang Century Huatong Group (“世紀華通”)	Wuxi 7Cool Network Technology (“七酷網絡”)	熱血戰紀
2	Apr 2014	Completed	Shanghai U9 Game (“愛使股份”)	Youjiu Times Beijing Technology (“游久時代”)	刀塔女神
3	May 2014	Completed	Talkweb Information System (“拓維科技”)	Shanghai Huorong Science and Tech (“火溶信息”)	啪啪三國
4	June 2014	Completed	Beijing Enlight Media (“光綫傳媒”)	Beijing Refeng Hudong Network (“熱鋒網絡”)	我是火影
5	June 2014	Completed	Kaiser China Holding (“凱撒股份”)	Shenzhen Kuniu Interactive Tech (“酷牛互動”)	唐門世界
6	June 2014	Completed	Beijing Enlight Media (“光綫傳媒”)	Beijing Miaoqu Hengsheng Tech (“妙趣橫生”)	神之刃

#	Date of Announcement	Current Status	Listed Acquirers	Target Developers	Game Example
7	Mar 2015	Completed	Dalian Zeus Entertainment Group ("天神娛樂[1]")	RaySns ("雷尚科技")	坦克風雲
8	Mar 2015	Completed	Dalian Zeus Entertainment Group ("天神娛樂")	Beijing Miaoqu Hengsheng Tech ("妙趣橫生")	神之刃
9	Feb 2015	Pending CSRC[2]	Ourpalm ("掌趣科技")	Tianma 天馬時空	全民奇迹
10	Feb 2015	Pending CSRC	Ourpalm ("掌趣科技")	Shanggame 上游互動	塔防三國志
11	Sept 2015	Pending	Kaiser China Holding ("凱撒股份")	Sichuan Youkia Network Tech ("天上友嘉")	新仙劍奇俠傳3D
12	Sept 2015	Pending	Sailsors Instruments ("塞爾瑟斯")	GwebTop ("暢游雲端")	全民槍戰

[1] Previously known as 科冕木業
[2] China Securities Regulatory Commission

Detail of the valuation matrix of the Guideline Merger and Acquisition is listed as follows:

Table 13.4b – Summary of Valuation Multiples of Guideline Public Companies

#	Target Developers *(Note 1)*	Deal Size (RMB Million)	% Transfer	MPU *(Note 2)*	ARPPU (RMB) *(Note 3)*	Adjusted Value per MPU (RMB)
1	Wuxi 7Cool Network Technology (“七酷網絡”)	850	100.00	121,145	365	1,569
2	Youjiu Times Beijing Technology (“游久時代”)	1,180	100.00	69,000	816	1,711
3	Shanghai Huorong Science and Tech (“火溶信息”)	810	90.00	99,646	493	1,496
4	Beijing Refeng Hudong Network (“熱鋒網絡”)	176	51.00	41,300	407 *(Note 5)*	1,681
5	Shenzhen Kuniu Interactive Tech (“酷牛互動”)	750	100.00	53,500	449	2,550
6	Beijing Miaoqu Hengsheng Tech (“妙趣橫生”)	160	26.67	73,749	407 *(Note 5)*	1,714 *(Note 4)*
7	RaySns (“雷尚科技”)	880	100.00	78,779	299	3,050
8	Beijing Miaoqu Hengsheng Tech (“妙趣橫生”)	589	95.00	113,941	200	2,221
9	Tianma 天馬時空	2,678	80.00	569,468	686	699
10	Shanggame 上游互動	364	30.00	1,884,952	19	2,966 *(Note 4)*
11	Sichuan Youkia Network Tech (“天上友嘉”)	1,215	100.00	564,965	140	1,258
12	GwebTop (“暢游雲端”)	968	100.00	463,939	102	1,666
	8 Completed + 4 Pending Transactions					
Upper Quartile				489,196	460	2,303
Median				106,794	386	1,696
Lower Quartile				72,562	185	1,551
	8 Completed Transactions Only					
Upper Quartile				103,220	460	2,303
Median				76,264	407	1,712
Lower Quartile				65,125	348	1,653

1) Selected comparable game developers on transaction basis
2) Total MPU of all published games in the most recent months
3) ARPPU = average monthly recharge amount of all published games in the most recent months / MPU
4) With reference to Mergerstat Review 2015, Control premium is applied at 5%
5) Median of ARPPU of other completed transaction is applied as approximation

We made reference to the median of the adopted valuation multiple for the valuation of the Equity Interest.

13.5 Determination of Value

We have selected an adjusted value per MPU of RMB 1,650 for the subject valuation, which is lower than the median multiple RMB 1,696 from the 8 completed and 4 pending comparable transactions. This determination is evidenced by the pricing of the 4 present pending transactions, where the market valuation has shown a slight cooldown. As such, we concluded to apply adjusted value per MPU of RMB 1,650 to the subject valuation, which represented the lower quartile of the 8 completed comparable transactions. The recent operating data of the Target Company was provided by the management. The MPU of the Target Company in September 2015 was recorded at 244,946. With the adjustment factor of 75% on monthly recharge to maintain sustainable ARPPU, we applied RMB 1,650 as ARPPU-adjusted value per MPU and 244,946 as MPU in determination of value of Equity Interest.

Table 13.5 – Determination of Value

	Valuation of the Target Company (in RMB)	
2015 September MPU (Number)	A	244,946
Adjusted value per MPU	B	1,650
Implied Equity Value	C = A x B	404,160,900
Implied Equity Value (rounded)		404,000,000

Given the fact that the targets acquired in the comparable transactions were all private companies, there is no need to further adjust for lack of marketability.

XIV. RISK FACTORS

Several risk factors are highlighted as follows that may impact the future value of the Target Company:

1) The subject valuation of the Target Company was prepared on a perpetual assumption. A significant portion of the value comes from the prerequisite that the Target Company can leverage its current developing capability to create marketable games in the future to generate revenue. Should the Target Company cease to produce marketable games in the future, the business value will be adversely impacted.

2) The future value is highly dependent on the success of the new games. Success of the Target Company's existing games does not guarantee its future success.

3) One of the crucial intangible assets of the Target Company is the competency of its developing team. Should the Target Company fail to retain a competent developing team, the business value will be adversely impacted.

XV. SENSITIVITY ANALYSIS

The subject valuation relies on a few major input variables, namely the subject's MPU and adjusted value per MPU.

The table below illustrates the sensitivity of value with respect to MPU and adjusted value per MPU.

Implied 100% Equity value			Sensitivity of MPU				
			-10%	-5%	0%	+5%	+10%
			220,451	232,699	244,946	257,193	269,441
Adjusted Value per MPU	-10%	1,485	327,000,000	346,000,000	364,000,000	382,000,000	400,000,000
	-5%	1,568	346,000,000	365,000,000	384,000,000	403,000,000	422,000,000
	0%	1,650	364,000,000	384,000,000	404,000,000	424,000,000	445,000,000
	+5%	1,733	382,000,000	403,000,000	424,000,000	446,000,000	467,000,000
	+10%	1,815	400,000,000	422,000,000	445,000,000	467,000,000	489,000,000

SYNTHESIS AND RECONCILIATION

The following comparative data summarizes the methods we have accepted or considered and rejected, along with their respective final values. Each method is rated relative to the applicability of the method relative to the facts and circumstances of the Target Company.

Asset Approach

Application . . . . Rejected

Income Approach

Application . . . . Rejected

Market Approach

Guideline Merger and Acquisition Method . . . . RMB 404,000,000
Application . . . . Accepted

As the market approach is the only applied methodology, we concluded that the fair value of the Equity Interest as at the Valuation Date should be RMB 404,000,000.

XVI. LIMITING CONDITIONS

We have made no investigation of and assumed no responsibility for the title to or any liabilities against the Company and the Target Company.

The opinions expressed in this report have been based on the information supplied to us by the Company and their staff, as well as from various institutes and government bureaus without verification. All information and advice related to this valuation are provided by the management of the Company. Readers of this report may perform due diligence themselves. We have exercised all due care in reviewing the supplied information. Although we have compared key supplied data with expected values, the accuracy of the results and conclusions from the review are reliant on the accuracy of the supplied data. We have relied on this information and have no reason to believe that any material facts have been withheld, or that a more detailed analysis may reveal additional information. We do not accept responsibility for any errors or omissions in the supplied information and do not accept any consequential liability arising from commercial decision or actions resulting from them.

This valuation reflects facts and conditions existing at the Valuation Date. Subsequent events have not been considered, and we have no obligation to update our report for such events and conditions.

XVII. CONCLUSION OF VALUE

In conclusion, based on the analysis stated above and the valuation methods employed, it is our opinion that the fair value of 100% equity interest in Binghe (Xiamen) Information Technology Company limited as at 30 September 2015 is as follows:

	Fair Value
100% Equity Interest in Binghe (Xiamen) Information Technology Company limited	RMB 404,000,000

The opinion of value was based on generally accepted valuation procedures and practices that rely extensively on the use of numerous assumptions and consideration of many uncertainties, not all of which can be easily quantified or ascertained.

We hereby certify that we have neither present nor prospective interests in the subject under valuation. Moreover, we have neither personal interests nor bias with respect to the parties involved.

This valuation report is issued subject to our general service conditions.

Yours faithfully,
For and on behalf of
GREATER CHINA APPRAISAL LIMITED
Max K.P. Tsang, *CPA, CFA, FRM*
Director

INVOLVED STAFF BIOGRAPHY

Max K.P. Tsang, *CPA, CFA, FRM*
Director

Mr Tsang is presently the Director of Greater China Appraisal Limited. Mr Tsang is experienced in business valuation for private and listed companies for the purposes of financial reporting, initial public offerings, mergers and acquisitions, financing, tax and litigation support purposes. The valuation services provided included business valuation, intangible asset valuation (such as trademarks, distribution networks, patents and customer relationship), biological assets valuation, mining valuation and financial instrument valuation. Mr. Tsang has extensive experience in serving private and listed enterprises in Hong Kong, China, Singapore and the United States. His experience covers a wide range of industries including agriculture, financial services, infrastructure, telecommunications, information technology, retail, real estate, mining and multimedia.

Jimmy S.K. Wong, *CPA, FRM, M.Fin*

Assistant Manager, Business Advisory

Mr. Wong is experienced in providing business advisory services for companies in consumer and industrial products, conglomerates, infrastructure, railway and aviation, forestry and agriculture, technology.

Keith Y.K. Lui

Senior Analyst, Business Advisory

Mr. Lui is a graduate of quantitative finance and risk management science. He is experienced in performing business valuation of business for private and public companies. He also has experience in performing business and intangible assets for different industries including food & beverage, retail, manufacturing, financial institutions, property development, technology and public utility industries.

GENERAL SERVICE CONDITIONS

The service(s) provided by Greater China Appraisal Limited will be performed in accordance with professional appraisal standard. Our compensation is not contingent in any way upon our conclusions of value. We assume, without independent verification, the accuracy of all data provided to us. We will act as an independent contractor and reserve the right to use subcontractors. All files, working papers or documents developed by us during the course of the engagement will be our property. We will retain this data for at least seven years after completion of the engagement.

Our report is to be used only for the specific purpose stated herein and any other use is invalid. No reliance may be made by any third party without our prior written consent. You may show our report in its entirety to those third parties who need to review the information contained herein. No one should rely on our report as a substitute for their own due diligence. No reference to our name or our report, in whole or in part, in any document you prepare and/or distribute to third parties may be made without our written consent.

You agree to indemnify and hold us harmless against and from any and all losses, claims, actions, damages, expenses, or liabilities, including reasonable attorneys' fees, to which we may become subject in connection with this engagement. You will not be liable for our negligence. Your obligation for indemnification and reimbursement shall extend to any controlling person of Greater China Appraisal Limited, including any director, officer, employee, subcontractor, affiliate or agent. In the event we are subject to any liability in connection with this engagement, regardless of legal theory advanced, such liability will be limited to the amount of fees we received for this engagement.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

1. RESPONSIBILITY STATEMENT

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

2. SHARE CAPITAL

Authorised:		*HK$*
8,000,000,000	Shares	80,000,000
Issued, fully paid or credited as fully paid:		
800,000,000	Shares in issue as at the Latest Practicable Date	8,000,000
314,285,714	Issue and Allotment of Consideration Shares upon Completion	3,142,857.14
1,114,285,715		11,142,857.14

3. DISCLOSURE OF INTEREST

(i) Directors' and Chief Executive's Interest and Short Positions in Shares, Underlying Shares and Debentures

Save as disclosed below, as at the Latest Practicable Date, no Directors or chief executive of the Company had or was deemed to have interests or short positions in Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed

Companies of the Listing Rules, to be notified to the Company and the Stock Exchange:

Long positions in the Shares

Name of Director	*Note*	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Sun Shao Hua	1	Held by controlled corporations	408,000,000	51.00%

Note:

1. These shares are registered in the name of Novel Blaze Limited ("**Novel Blaze**"), the entire issued share capital of which is wholly and beneficially owned by Mr. Sun Shao Hua. Therefore, Mr. Sun Shao Hua is deemed to be interested in all the Shares held by Novel Blaze by virtue of the SFO. Mr. Sun Shao Hua is also the sole director of Novel Blaze.

(ii) Interests and Short Positions of Substantial Shareholders

Save as disclosed below, as at the Latest Practicable Date, according to the register of interest kept by the Company under Section 336 of the SFO and so far as was known to the Directors, no other person or companies had an interest or short positions in Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who were, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Enlarged Group or had any option in respect of such capital:

Long positions in the Shares

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Novel Blaze	Beneficial owner	408,000,000	51.0%
Mr. Sun Shao Hua *(Note 1)*	Interest in controlled corporation	408,000,000	51.0%

Name of Shareholder	Capacity	Number of issued Shares held	Approximate percentage of the issued share capital of the Company
Mr. Zhuo Longwang	Beneficial owner	68,180,000	8.52%
Qi Yuan Asset Management (H.K.) Ltd.	Investment manager	58,450,000	7.31%
Mr. Wu Shifa	Beneficial owner	51,000,000	6.38%

Note 1: The entire issue share capital of Novel Blaze is held by Mr. Sun Shao Hua. By virtue of the SFO, Mr. Sun Shao Hua is deemed to be interested in all the Shares held by Novel Blaze.

4. DIRECTORS' INTERESTS IN CONTRACTS AND ASSETS

None of the Directors was materially interested, directly or indirectly, in any contract or arrangement entered into by any member of the Enlarged Group which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Enlarged Group.

As at the Latest Practicable Date, none of the Directors has or had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Enlarged Group or are proposed to be acquired or disposed of by or leased to any member of the Enlarged Group since 31 December 2014, being the date to which the latest published audited consolidated accounts of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors nor their respective close associates (as defined under the Listing Rules) had any business or interest that competes or may compete with the business of the Enlarged Group or any other conflicts of interest with the Enlarged Group.

6. LITIGATIONS

As at the Latest Practicable Date, none of the members of the Enlarged Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. SERVICES CONTRACTS

Each of Mr. Chen Wei Wei, Ms. Hu Li Yu and Mr. Sun Shao Hua, being all the executive Directors, has entered into a service contract with our Company for an initial fixed term of three years commencing from 13 January 2014 renewable automatically until terminated by not less than three months' notice in writing served by either party on the other expiring at the end of the initial term or any time thereafter.

8. MISCELLANEOUS

(a) The registered office of the Company is situated at Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and the head office and principal place of business of the Company in the PRC is situated at Hong Sheng Industrial Park, Fengxin Industrial Zone, Yichun City, Jiangxi Province, the PRC, whereas the principal place of business of the Company in Hong Kong is situated at Office 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Investor Services Limited, having its office situated at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) Mr. Hu Chung Ming, the company secretary of the Company, is a member of the Australian Society of Certified Practising Accountants and a fellow member of the Hong Kong Institute of Certified Public Accountants.

(d) the English language text of this circular shall prevail over the Chinese language in case of inconsistency.

9. MATERIAL CONTRACTS

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

(a) the Share Purchase Agreement; and

(b) the subscription agreement dated 10 June 2015 entered into between the Company, Rich Kirin Holdings Limited, Big Wealth Limited, Chance Talent Management Limited and Mr. Sun and Novel Blaze, in relation to the subscription for (i) the redeemable fixed coupon note in the principal sum of HK$80,000,000; and (ii) the convertible bonds with an aggregate principal amount of HK$20,000,000 which carry conversion rights to convert up to 23,529,411 Conversion Shares at the subscription price at HK$0.85 each.

10. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinions and advices, which are contained in this circular:

Name	Qualifications
HLB Hodgson Impey Cheng Limited	Certified Public Accountants
Greater China Appraisal Limited	Independent valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with inclusion of its letter or report and the references to its name in the form and context in which it appears.

Each of the above experts did not have any interests in any Shares or shares in any member of the Enlarged Group, or any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Enlarged Group as at the Latest Practicable Date.

As at the Latest Practicable Date, each of the above experts did not have any direct or indirect interests in any assets which have since 31 December 2014 (being the date to which the latest published audited consolidated financial statements of the Group were made up) been acquired or disposed of by or leased to or by any member of the Enlarged Group, or was proposed to be acquired or disposed of by or leased to or by any member of the Enlarged Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Office 2, 7th Floor, Wah Hing Commercial Building, 283 Lockhart Road, Wanchai, Hong Kong during normal business hours on any weekday other than public holidays, up to and including the date of the EGM:

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

(b) the annual reports of the Company for the financial years ended 31 December 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015;

(c) the service contracts referred to in the paragraph headed "7. SERVICES CONTRACTS" in this Appendix;

(d) the material contracts referred to in the paragraph headed "9. MATERIAL CONTRACTS" in this Appendix;

(e) the accountants' report of the Target Company, the Hong Kong Company and the VIE Company, the text of which is set out in Appendix IIA, Appendix IIB and Appendix IIC to this circular respectively;

(f) the unaudited pro forma financial information of the Enlarged Group as set out in Appendix III to this circular;

(g) the valuation report of the VIE Company as set out in Appendix IV to this circular;

(h) the written consent referred to in the paragraph headed "10. EXPERTS AND CONSENTS" in this Appendix; and

(i) this circular.

China Packaging Holdings Development Limited
中華包裝控股發展有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1439)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the "**EGM**") of China Packaging Holdings Development Limited (the "**Company**") will be held at Seminar Room, Level 3, Three Pacific Place, 1 Queen's Road East, Admiralty, Hong Kong on Tuesday, 15 March 2016 at 2:00 p.m. for the purpose of considering and, if thought fit, passing with or without amendments the following resolutions as ordinary resolutions of the Company:

ORDINARY RESOLUTIONS

"**THAT**

(a) the conditional sale and purchase agreement dated 17 November 2015 entered into between the Company and Peng Dongmiao (the "**Seller**") in relation to the sale and purchase of entire issued share capital of Cable King Limited (as supplemental by the supplemental agreement entered into between the Company and Peng Dongmiao dated 26 February 2016) (a copy of which has been produced to the EGM marked "A" and signed by the chairman of the EGM for the purpose of identification) (the "**Agreement**") and the transactions contemplated thereunder;

(b) the grant of specific mandate to the directors (the "**Directors**") of the Company to allot and issue 314,285,714 ordinary shares of HK$0.01 each in the share capital of the Company (the "**Consideration Shares**") to the Seller pursuant to the Agreement be and is hereby approved, confirmed and ratified;

(c) the allotment and issue of the Consideration Shares at an issue price of HK$0.70 per Consideration Share to the Seller in accordance with the Agreement be and is hereby approved, confirmed and ratified; and

(d) 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 which he/they consider necessary, desirable or expedient for the purpose of, or in connection with, the implementation of and giving effect to the Agreement and the transactions contemplated thereunder, including but not limited to the allotment and issue of the Consideration Shares to the Seller."

Hong Kong, 29 February 2016

By Order of the Board
China Packaging Holdings Development Limited
Chen Wei Wei
Chairman

Notes:

1. The resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow the resolutions which relate to purely a procedural or administrative matter to be voted on by a show of hands in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), and the results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.

2. Any member of the Company entitled to attend and vote at the above meeting is entitled to appoint a proxy (or more than one proxy if he is the holder of two or more shares) to attend and vote instead of him. A proxy need not be a member of the Company. lf more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.

3. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for the holding of the meeting or any adjournment thereof. Delivery of the form of proxy shall not preclude a member of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

4. In order to determine the entitlement to attend the EGM, the register of members of the Company will be closed from 14 March 2016 to 15 March 2016 (both days inclusive), during which period no transfer of shares of the Company can be registered. In order to qualify for attending the EGM, all transfer of shares accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by not later than 4:30 p.m. on 11 March 2016.

5. As at the date of this notice, the executive Directors are Mr. Chen Wei Wei (Chairman), Mr. Sun Shao Hua and Ms. Hu Li Yu; and the independent non-executive Directors are Mr. Liu Da Jin, Mr. Ma Yiu Ho, Peter and Mr. Wu Ping.