

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or the action you should take, you should consult a person authorised under the Financial Services and Markets Act 2000 (or if you are a person outside the UK a person otherwise duly qualified in your jurisdiction) who specialises in advising on the acquisition of shares and other securities before taking any action. The whole text of this document should be read. Investment in the Company is speculative and involves a high degree of risk.**

This document constitutes an admission document in accordance with the AIM Rules for Companies published by London Stock Exchange plc. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the FCA. Any offer of Ordinary Shares or Warrants is being made only to qualified investors for the purposes of and as defined in section 86(7) of FSMA and accordingly this document does not constitute, and the Company is not making an offer to the public within the meaning of sections 85(1) and 102B of FSMA.

The Board, whose names appear on page 7 of this document, and the Company accept responsibility, both individually and collectively, for the information contained in this document. To the best of the knowledge and belief of the Board and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information. To the extent information has been sourced from a third party, this information has been accurately reproduced and, as far as the Board and the Company are aware, no facts have been omitted which may render the reproduced information inaccurate or misleading. In connection with this document, no person is authorised to give any information or make any representation other than as contained in this document.

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the UKLA. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the London Stock Exchange nor the UKLA has itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of the Ordinary Shares to the Official List. The Ordinary Shares will not be dealt on any other recognised investment exchange and no other such application will be made. It is emphasised that no application is being made for admission of the Warrants to AIM, the Official List or any other recognised investment exchange and no such application will be made.**

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings for normal settlement in the Enlarged Share Capital will commence on 4 December 2014. The Issue Shares and the other new Ordinary Shares to be comprised in the Enlarged Share Capital will, on issue, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends or other distributions declared, made or paid after the issue of the Issue Shares and such other new Ordinary Shares to be comprised in the Enlarged Share Capital.



## PCG Entertainment PLC

(Incorporated in Gibraltar under the Gibraltar Companies Act 1930 with registered number 107915)  
(ISIN: GI000A1171Y8)

### Placing of 24,333,334 Placing Shares and Subscription of 32,500,000 Subscription Shares at 6 pence per Issue Share and grant of Warrants £2 million Equity Line Facility Admission of the Enlarged Share Capital to trading on AIM

**Nominated Adviser**  
**Sanlam Securities UK Limited**

**Broker**  
**Beaufort Securities Limited**

#### Share capital immediately following completion of the Issue and Admission

*Authorised number*  
3,000,000,000 Ordinary Shares of par value £0.001

*Issued and fully paid*  
1,030,691,444 Ordinary Shares of par value £0.001

**The whole text of this document should be read. Investment in the Company is speculative and involves a high degree of risk. Your attention is also drawn to the section headed "Risk Factors" in Part II of this document which sets out certain risk factors relating to an investment in the Ordinary Shares and/or Warrants. All statements regarding the Group's business, financial position and prospects should be viewed in light of the risk factors set out in Part II of this document.**

Sanlam Securities, which is authorised and regulated in the United Kingdom by the FCA, is the Company's nominated adviser for the purposes of the AIM Rules in connection with the Issue and Admission and as such, its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person or entity in respect of his reliance on any part of this document. Sanlam Securities is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Sanlam Securities nor for providing advice in relation to the contents of this document or any matter referred to herein. No representation or warranty, express or implied is made by Sanlam Securities for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

Beaufort Securities, which is a member of the London Stock Exchange and is authorised and regulated by the FCA, has agreed to act as broker (for the purposes of the AIM Rules for Companies) to the Company in connection with the Placing and Admission. Beaufort Securities is acting for the Company and no one else and will not be responsible to any other person for providing the protections afforded to customers of Beaufort Securities nor for providing advice in relation to the contents of this document or any matter referred to herein. No representation or warranty, express or implied is made by Beaufort Securities for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

No legal, business, tax or other advice is provided in this document. Prospective investors should consult their professional advisers as needed on the potential consequences of subscribing for, purchasing, holding or selling Ordinary Shares or Warrants under the laws of their country and/or state of citizenship, domicile or residence.

For the purpose of Section 21 of FSMA, this document constitutes a financial promotion which has been issued by the Company, but whose content has not been approved by any person authorised by the FCA. Accordingly, it may only be used as a communication made to (i) persons authorised under FSMA and other categories of "investment professional" defined in accordance with article 19 of FSMA (Financial Promotion) Order 2005 (the "Order"); and (ii) high value entities as referred to in article 49(2) (a), (b) and/or (c) of the Order (or individuals in their capacities as directors, officers or employees of such entities). The Company has not sanctioned the use of this document for a financial promotion to any person not falling under articles 19 or 49 of the Order and no such person should place reliance upon this document for any purpose. Use of this document other than in accordance with this restriction is not permitted and may contravene FSMA. No representation or warranty, express or implied, is made by the Company, Sanlam Securities or Beaufort to prospective purchasers of Ordinary Shares or Warrants as to the contents of this document (without limiting the statutory rights of any person to whom this document is issued). The information contained in this document is not intended to inform or be relied upon by any subsequent purchasers of Ordinary Shares (whether on or off exchange) or Warrants and accordingly to the extent permitted by law no duty of care is accepted by the Company, Sanlam Securities or Beaufort in relation to them.

In making any investment decision in respect of the Issue, no information or representation should be relied upon in relation to the Issue or in relation to the Ordinary Shares or Warrants other than as contained in this document. No person has been authorised to give any information or make any representation other than that contained in this document and, if given or made, such information or representation must not be relied upon as having been authorised.

**Prospective investors are advised to read, in particular, Part I "Information on the Group" and Part II "Risk Factors" for a more complete discussion of the factors that could affect the Group's future performance and the industry in which it will operate.**

## **IMPORTANT NOTICE**

### **Cautionary note regarding forward-looking statements**

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors’ current intentions, beliefs or expectations concerning, amongst other things, the Group’s results of operations, financial condition, liquidity, prospects, growth, strategies and the Group’s markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements. Factors that might cause such a difference, include, but are not limited to the risk factors set out in Part II of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Group’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part II of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

### **Notice to overseas persons**

The distribution of this document into jurisdictions other than the United Kingdom may be restricted by law. Any failure to comply with any of the restrictions may constitute a violation of the securities law of any such jurisdiction. In particular this document should not be distributed in or into, forwarded to or transmitted to the United States or any other Restricted Jurisdiction. The Ordinary Shares and Warrants have not been, and will not be, registered under the United States Securities Act 1933 or under the securities laws of any state, district or other jurisdiction of the United States, or under the securities laws of any other Restricted Jurisdiction or any state, province or territory thereof or any other jurisdiction outside the United Kingdom. There will be no public offer in any Restricted Jurisdiction. Accordingly, the Ordinary Shares and Warrants may not be taken up, offered, sold, resold, delivered or distributed, directly or indirectly, through CREST or otherwise, within, into or from the United States or any of the other Restricted Jurisdictions or to, or for the account of, any person with a registered address in, or who is resident or ordinarily resident in, or a citizen of such jurisdictions or to any person in any country or territory where to do so would or might contravene local securities laws or regulations except pursuant to an applicable exemption. This document does not constitute an offer to sell or the solicitation of any offer to buy Ordinary Shares or Warrants or any other securities in any jurisdiction in which such offer or solicitation is unlawful. No action has been taken by the Company or Sanlam Securities or Beaufort that would permit an offer of Ordinary Shares or Warrants or possession or distribution of this document where action for that purpose is required. Persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities law or other laws of any such jurisdictions.

This document does not constitute a public offer of securities in any part of the United Arab Emirates (“UAE”). The person or entity to whom this document has been issued understands, acknowledges and agrees that the document is not approved by the UAE Central Bank, the Emirates Securities &

Commodities Authority, the Dubai Financial Services Authority or any other relevant regulatory authority in the UAE. The document and any other offering material do not constitute a public offer of securities in the UAE in accordance with Commercial Companies Law, Federal Law No. 8 of 1994 (as amended) or otherwise or an advertisement or solicitation to the public, and is intended only for the individual recipients to whom this document is personally provided and may not be reproduced or used for any other purpose. Nothing in this document is intended to constitute investment, legal, tax, accounting or other professional advice. This document is for your information only and nothing in this document is intended to endorse or recommend a particular course of action. You should consult with an appropriate professional for specific advice rendered on the basis of your situation. At the present date, there is no taxation regime applying to private individuals in the UAE. Potential investors who are concerned about possible tax implications of purchasing foreign securities, for their taxable status under their 'home country' (or other) tax regimes applicable to them, should consult their personal tax advisers.

No securities in the Company are being offered for sale in Hong Kong, by means of any document, other than: (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance. The Company has not issued or had in their possession for the purposes of issuing, and will not issue or have in their possession for the purposes of issuing, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to securities in the Company, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to securities of the Company which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance. The contents of this document have not been reviewed by, or registered with, any regulatory or governmental authority in Hong Kong. If you are in any doubt about any of the contents of this document, you should obtain independent professional advice.

The Ordinary Shares and Warrants have not been and will not be registered with the Financial Supervisory Commission of Taiwan pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan that requires a registration or approval of the Financial Supervisory Commission of Taiwan. No person or entity in Taiwan has been authorised to offer or sell the Ordinary Shares or Warrants in Taiwan.

The Ordinary Shares and Warrants have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the "US Securities Act") and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares or Warrants to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. Outside of the United States, the Issue Shares and/or Warrants are being offered in reliance on Regulation S under the US Securities Act. The Ordinary Shares and Warrants will not qualify for distribution under the relevant securities laws of Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan, nor has any prospectus in relation to the Ordinary Shares or Warrants been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance. Accordingly, subject to certain exemptions, the Ordinary Shares and Warrants may not be offered, sold, taken up, delivered or transferred in, into or from the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares or Warrants to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

The Ordinary Shares and Warrants have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Issue Shares and/or Warrants nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

### **Basis on which financial information is presented**

The accountants' reports on the historical financial information included in Part III of this document have been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to their inclusion in Part III of this document has been included as required by the AIM Rules for Companies and solely for that purpose.

The historical financial information in this document and the notes to the historical financial information have been prepared by the Directors of the Company in accordance with IFRS as adopted by the European Union.

Various figures and percentages in tables in this document have been rounded and accordingly may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

In the document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom, references to "US dollars", "US\$", "\$" and "USD" are to the lawful currency of the United States, references to "RMB" are to the lawful currency of the PRC and references to "HK\$" or "Hong Kong dollars" are to the lawful currency of Hong Kong.

### **Third party information**

Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document, the source of such information has been identified. The Company takes responsibility for compiling and extracting, but has not independently verified, market data provided by third parties or industry or general publications and takes no further responsibility for such data. Reference materials include various historical and recent publications. A comprehensive list of reports and information used in the preparation of this document is available if required.

### **References to defined terms**

Certain terms used in this document are defined in the section of this document under the heading "Definitions".

All times referred to in this document are, unless otherwise stated, references to London time.

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### **Expected Timetable of Principle Events**

Publication of this document	28 November 2014
Admission and commencement of dealings in the Ordinary Shares on AIM	4 December 2014
Expected date for CREST accounts to be credited with Depository Interests (where applicable)	4 December 2014
Expected date of admission of Consideration Shares	9 December 2014
Despatch of definitive share certificates in respect of the Issue Shares, HKSS Further Consideration Shares and Yorkville Implementation Fee Shares to be held in certificated form by no later than	10 December 2014
Despatch of definitive warrant certificates in respect of the Warrants to be held in certificated form by no later than	10 December 2014

*Each of the above dates is subject to change at the absolute discretion of the Company and Sanlam Securities*

### **Issue Statistics**

Number of Existing Ordinary Shares	867,100,007
Number of Placing Shares being issued	24,333,334
Number of Subscription Shares being issued	32,500,000
Total number of Issue Shares	56,833,334
Total number of HKSS Further Consideration Shares and Yorkville Implementation Fee Shares	106,758,103
Issue Price	6p
Gross proceeds of the Issue	£3.41 million
Estimated net proceeds of the Issue	£2.42 million
Enlarged Share Capital	1,030,691,444
Market capitalisation of the Company at the Issue Price following Admission	£61.8 million
Issue Shares expressed as a percentage of the Enlarged Share Capital	5.51 per cent.
HKSS Further Consideration Shares and Yorkville Implementation Fee Shares expressed as a percentage of the Enlarged Share Capital	10.36 per cent.
Total number of Warrants	113,666,668
Total number of Adviser Warrants	12,660,248
Consideration Shares to be issued	31,456,433
Further Enlarged Share Capital after admission of the Consideration Shares	1,062,147,877
ISIN (of the Ordinary Shares and the Depository Interests)	GI000A1171Y8
Ticker	PCGE
SEDOL	A1171Y8

### **Exchange Rates**

The following illustrative exchange rates are set out to assist the understanding of this document (other than the information set out in Part III):

1 GBP: RMB 9.64

1 US\$: RMB 6.14

## Directors, Company Secretary and Advisers

<b>Directors</b>	Kung Min Lin, <i>Non-Executive Chairman</i> Richard O'Dell Poulton, <i>Non-Executive Deputy Chairman</i> Nicholas Jonathan Michael Charles Bryant, <i>Chief Executive Officer</i> Clive Mark Hyman, <i>Chief Financial Officer</i> Prof. Michael Raymond Mainelli, <i>Non-executive Director</i> Alan David Gravett, <i>Non-executive Director</i>
<b>Company Secretary</b>	Hawk Secretaries Ltd G1 Haven Court 5 Library Ramp Gibraltar
<b>Registered and Head Office</b>	G1 Haven Court 5 Library Ramp Gibraltar
<b>Company website</b>	<a href="http://www.pcge.com">www.pcge.com</a>
<b>Nominated Adviser</b>	Sanlam Securities UK Limited 10 King William Street London EC4N 7TW
<b>Broker</b>	Beaufort Securities Limited 131 Finsbury Pavement London EC2A 1NT
<b>Public Relations</b>	damson pr Blisbury Farm Berkeley GL13 9RB
<b>Legal advisers to the Company</b>	Pinsent Masons LLP 30 Crown Place London EC2A 4ES
<b>Legal advisers to the Company as to Gibraltar Law</b>	Hassans International Law Firm 57/63 Line Wall Road P.O. Box 199 Gibraltar
<b>Legal advisers to the Company as to PRC law</b>	Shujin Law Firm 24/F, 16/F, Aerospace Skyscraper 4019 Shennan Road Futian District Shenzhen

<b>Legal advisers to the Nominated Adviser and Broker</b>	DMH Stallard LLP 6 New Street Square New Fetter Lane London EC4A 3BF
<b>Reporting Accountants</b>	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
<b>Auditors to the Group</b>	Nexia Smith & Williamson 25 Moorgate London EC2R 6AY
<b>Statutory auditor</b>	Benady Cohen & Co Limited 21 Engineer Lane Gibraltar
<b>Depository</b>	Capita IRG Trustees Limited The Registry 34 Beckenham Road Kent BR3 4TU
<b>Registrars</b>	Capita Registrars (Guernsey) Limited Longue Hougue House Longue Hougue Lane St Sampsons Guernsey GY2 4JN

## Definitions

<b>“Act” or “UK Companies Act”</b>	the Companies Act 2006
<b>“Admission”</b>	the admission of the Ordinary Shares, issued and to be issued pursuant to the Issue, to trading on AIM becoming effective in accordance with the AIM Rules for Companies
<b>“Adviser Warrants”</b>	the warrants to be issued pursuant to the Beaufort Warrant Agreement and the Sanlam Securities Warrant Agreement
<b>“AIC”</b>	the Administration for Industry and Commerce in the Chaoyang district of Beijing
<b>“AIM”</b>	AIM, a market operated by the London Stock Exchange
<b>“AIM Rules”</b>	together, the AIM Rules for Companies, and the AIM Rules for Nominated Advisers
<b>“AIM Rules for Companies”</b>	the AIM Rules for Companies published by the London Stock Exchange from time to time
<b>“AIM Rules for Nominated Advisers”</b>	the AIM Rules for Nominated Advisers published by the London Stock Exchange from time to time
<b>“Articles”</b>	the articles of association of the Company as amended and/or restated from time to time
<b>“Beaufort Securities” or “Broker”</b>	Beaufort Securities Limited, a company incorporated in England and Wales under company number 2693942 and authorised and regulated by the FCA
<b>“Beaufort Warrant Agreement”</b>	the warrant agreement described in paragraph 9.3 of Part V of this document
<b>“Board” or “Directors”</b>	the directors of the Company, whose names are set out on page 7 of this document
<b>“Business Licence”</b>	any of the certificates of incorporation of Sihai Geju or Jingtuo and/or any updated certificates of incorporation following each of the changes to the corporate information such as change of company name, registered capital, paid in capital, business scope, legal representative and shareholding interest, etc., which are issued by the competent AIC
<b>“Capita Registrars”</b>	a trading name of Capita PLC
<b>“certificated” or “in certificated form”</b>	an Ordinary Share which is not in uncertificated form
<b>“City Code”</b>	the City Code on Takeovers and Mergers
<b>“Company” or “PCGE”</b>	PCG Entertainment PLC, a company incorporated in Gibraltar under the Gibraltar Companies Act 1930 with registered number 107915
<b>“Connected Parties”</b>	as defined in section 252 of the UK Companies Act

<b>“Consideration Shares”</b>	the 31,456,433 Ordinary Shares to be issued pursuant to the Framework Agreement
<b>“Cooperation Agreements”</b>	the HPC Cooperation Agreement and the HLC Cooperation Agreement
<b>“CPG”</b>	China Poker Games, a brand name of HPC
<b>“CREST”</b>	the relevant system (as defined in the CREST Regulations) for paperless settlement of share transfers and holding shares in uncertificated form which is administered by Euroclear
<b>“CREST Regulations”</b>	the Uncertificated Securities Regulations 2001 (S.I. 2001 No. 3755) (as amended)
<b>“Custodian”</b>	any custodian or any nominee of any such custodian of the deposited property as may from time to time be appointed by the Depositary for the purposes of the Deed Poll
<b>“Deed Poll” or “DI Deed Poll”</b>	the deed poll dated 20 November 2014 executed by the Depositary in favour of the holders of the Depositary Interests from time to time
<b>“Depositary”</b>	Capita IRG Trustees Limited
<b>“Depositary Interests” or “DIs”</b>	a depositary interest in uncertificated form representing Ordinary Shares issued to a holder on the terms of the DI Deed Poll described at paragraph 9.8 of Part V of this document
<b>“DI Holder”</b>	the holder of a DI issued pursuant to the terms of the DI Deed Poll
<b>“Disclosure and Transparency Rules” or “DTR”</b>	the Disclosure Rules and Transparency Rules made by the FCA pursuant to section 73A of the FSMA
<b>“Enlarged Share Capital”</b>	the issued Ordinary Shares upon Admission, comprising the Existing Ordinary Shares, the Issue Shares, the HKSS Further Consideration Shares and the Yorkville Implementation Fee Shares
<b>“Equity Line Facility”</b>	the facility provided by YA Global Master SPV to the Company, whereby the Company may drawdown up to £2 million in aggregate from YA Global Master SPV in return for issuing Ordinary Shares, pursuant to the Yorkville SEDA
<b>“EU”</b>	the European Union
<b>“Euroclear”</b>	Euroclear UK & Ireland Limited, a company incorporated under the laws of England and Wales
<b>“Existing Ordinary Shares”</b>	the 867,100,007 Ordinary Shares in issue immediately prior to Admission
<b>“FCA”</b>	the Financial Conduct Authority of the United Kingdom

<b>“FIE”</b>	foreign invested enterprise
<b>“Framework Agreement”</b>	the agreement dated 3 November 2014 between, <i>inter alia</i> , Sihai Geju and the Company, HPC and HLC relating to the grant of options to acquire 10 per cent. of the existing share capital of HLC and HPC as detailed in paragraph 9.11 of Part V of this document
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“Further Enlarged Share Capital”</b>	the issued Ordinary Shares upon admission of the Consideration Shares, being the Enlarged Shared Capital and the Consideration Shares
<b>“Gaming Investments”</b>	the 10 per cent. investments in the issued share capital of HPC and HLC, pursuant to the Framework Agreement, as further detailed in paragraph 9.11 of Part V of this document
<b>“Gibraltar Act”</b>	the Companies Act 2014 of Gibraltar including any re-enactment, amendment or modification thereof
<b>“Group” or “PCGE Group”</b>	the Company and its subsidiary undertakings which includes PCGE, HKSS, Jingtuo and Sihai Geju and “Group Company” should be interpreted accordingly
<b>“HKSS”</b>	Hong Kong Strategic Services Limited (formerly named PCG Entertainment Limited), a company incorporated in Hong Kong with incorporation number 1656551
<b>“HKSS Further Consideration Shares”</b>	the 105,091,436 new Ordinary Shares to be allotted conditional on Admission as referred to in paragraph 9.10 of Part V of this document
<b>“HLC”</b>	Hainan Huan’ao Sports Industry Co., Ltd., a company incorporated under the laws of the PRC
<b>“HLC Cooperation Agreement”</b>	the agreement dated 3 November 2014 between Sihai Geju and HLC governing the strategic collaboration between the parties, as further detailed in paragraph 9.13 of Part V of this document
<b>“HMRC”</b>	Her Majesty’s Revenue and Customs
<b>“HPC”</b>	Hainan Huan’ao Culture Media Co., Ltd., a company incorporated under the laws of the PRC
<b>“HPC Cooperation Agreement”</b>	the agreement dated 3 November 2014 between Sihai Geju and HPC governing the strategic collaboration between the parties, as further detailed in paragraph 9.12 of Part V of this document
<b>“HSLMC”</b>	Hainan Sports Lottery Management Centre
<b>“IFRS”</b>	International Financial Reporting Standards
<b>“Issue Price”</b>	6 pence per Issue Share

<b>“Issue Shares”</b>	together, the Placing Shares and the Subscription Shares
<b>“Issue”</b>	together, the Placing and the Subscription
<b>“Jingtuo”</b>	Jingtuo World Technology Consulting (Beijing) Limited, a company incorporated under the laws of the PRC
<b>“Licences”</b>	the four licences held by the Group on Admission as further detailed in the paragraph 2 of Part I of this document
<b>“London Stock Exchange”</b>	London Stock Exchange plc
<b>“Market Abuse Directive”</b>	Directive 2003/6/EC of the European Parliament and of the Council of 28 January 2003 on insider dealing and market manipulation (market abuse)
<b>“Memorandum”</b>	the memorandum of association of the Company as amended and/or restated from time to time
<b>“MOF”</b>	Ministry of Finance, China
<b>“OECD”</b>	Organisation for Economic Co-operation and Development
<b>“Official List”</b>	the Official List of the UKLA
<b>“Ordinary Shares”</b>	Ordinary shares of £0.001 each in the capital of the Company
<b>“Panel” or “Takeover Panel”</b>	the Panel on Takeovers and Mergers
<b>“Placees”</b>	institutional and other investors who are subscribing for Placing Shares and Warrants
<b>“Placing”</b>	the conditional placing of the Placing Shares and Warrants by the Broker as agent for and on behalf of the Company pursuant to the terms of the Placing Agreement
<b>“Placing Agreement”</b>	the conditional agreement dated 28 November 2014 and made between (1) the Company (2) Beaufort Securities (3) Sanlam Securities and (4) the Directors relating to the Placing and Admission, further details of which are set out in paragraph 10 of Part V of this document
<b>“Placing Shares”</b>	the 24,333,334 Ordinary Shares to be issued at the Issue Price by the Company pursuant to the Placing
<b>“PRC Shareholders”</b>	the current registered shareholders of Sihai Geju, its predecessors or any other such individuals as the case may be from time to time, which at the date of this document are Hong Lu and Min Zhang
<b>“PRC”</b>	the People’s Republic of China
<b>“Prospectus Rules”</b>	the prospectus rules made by the FCA pursuant to section 73A of the FSMA

<b>“QCA Code”</b>	the Corporate Governance Code for Small and Mid-sized Quoted Companies 2013 published by the Quoted Companies Alliance (as amended from time to time)
<b>“Registrar”</b>	Capita Registrars (Guernsey) Limited
<b>“Restricted Business”</b>	the provision of value added telecommunication services and the provision of internet cultural business
<b>“Restricted Jurisdiction”</b>	United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa, Japan and/or any other jurisdiction where the Ordinary Shares or Warrants may not be offered, sold, taken up, delivered, distributed in, into or from
<b>“RMB”</b>	Renminbi, the lawful currency of the PRC
<b>“SAFE”</b>	the State Administration of Foreign Exchange of the PRC
<b>“Sanlam Securities” or “Nomad”</b>	Sanlam Securities UK Limited, a company incorporated in England and Wales under company number 1825671 and authorised and regulated by the FCA
<b>“Sanlam Securities Warrant Agreement”</b>	the warrant agreement described in paragraph 9.2 of Part V of this document
<b>“Security Review”</b>	the mergers and acquisition review for national economic security purpose
<b>“Share Option Scheme”</b>	the Company’s share option scheme known as the PCG Entertainment Plc General Share Option Scheme as described in paragraph 17 of Part I and paragraph 9.15 of Part V of this document
<b>“Share Sale Agreement”</b>	the share sale agreement dated 20 December 2013 between each member of HKSS and the Company, as amended by a letter of variation dated 10 October 2014, as described in paragraph 9.10 of Part V of this document
<b>“Shareholder”</b>	a holder of Ordinary Shares from time to time
<b>“Sihai Geju”</b>	Beijing Sihai Geju Culture Media Company Limited, a company incorporated under the laws of the PRC
<b>“SMS”</b>	short message service
<b>“Subscribers”</b>	the investors on whose behalf YTB (acting as agent) has executed the Subscription Agreement
<b>“Subscription”</b>	the conditional subscription of the Subscription Shares by the Subscribers in accordance with the Subscription Agreement and any Warrants to be issued in connection therewith pursuant to the Warrant Instrument
<b>“Subscription Agreement”</b>	the subscription agreement dated 28 November 2014, relating to the Subscription, details of which are set out in paragraph 9.16 of Part V of this document

<b>“Subscription Shares”</b>	the 32,500,000 Ordinary Shares to be allotted, conditional on Admission, at the Issue Price by the Company pursuant to the Subscription Agreement
<b>“UK Corporate Governance Code”</b>	the UK corporate governance code published by the Financial Reporting Council from time to time
<b>“UK”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“UKLA”</b>	the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
<b>“uncertificated” or “in uncertificated form”</b>	recorded on the register of Ordinary Shares as being held in uncertificated form in CREST, entitlement to which, by virtue of the CREST Regulations, may be transferred by means of CREST
<b>“US”, “USA”, or “United States”</b>	the United States of America, each state thereof, its territories and possessions and the District of Columbia and all other areas subject to its jurisdiction
<b>“VAT”</b>	UK value added tax
<b>“VIE”</b>	a variable interest entity
<b>“VIE Arrangements”</b>	the contracts pursuant to which Jingtuo exercises control over Sihai Geju as more particularly described at paragraph 9.23 of Part V
<b>“Warrants”</b>	the warrants to be issued to the Subscribers and the Placees pursuant to the Warrant Instrument
<b>“Warrant Instrument”</b>	the deed poll constituting the Warrants executed by the Company, details of which are set out in Part IV
<b>“WFOE”</b>	a Wholly Foreign Owned Enterprise under the laws of the PRC
<b>“YA Global Master SPV”</b>	YA Global Master SPV, Ltd., a company registered in the Cayman Islands with registration number 221956
<b>“Yorkville Implementation Fee Shares”</b>	the 1,666,667 new Ordinary Shares to be allotted conditional on Admission in satisfaction of the £100,000 implementation fee payable by the Company in connection with the Yorkville SEDA
<b>“Yorkville SEDA”</b>	the agreement dated 27 November 2014 between the Company and YA Global Master SPV, in respect of the Equity Line Facility, further details of which are set out in paragraph 9.17 of Part V of this document
<b>“YTB”</b>	Yuanta Corporation Bank acting as duly authorised agent and trustee on behalf of the Subscribers

# PART I

## INFORMATION ON THE GROUP

### 1. Introduction

PCGE is a Gibraltar incorporated holding company which, through the PCGE Group, holds four licences relating to the operation of online games based in the PRC. Initially, the Group intends to seek PRC governmental and local authority approval to utilise the Licences in partnership with HPC and HLC to hold online poker games and tournaments and create national lottery products including lottery games. The Group also intends to exploit the Licences to expand the Group's business into premium rate telephony, virtual currencies and the distribution of games and other media through the internet and other channels. These channels may include broadcast, print and mobile and other areas where the Directors believe that there are opportunities to grow Shareholder value.

The Directors have between them many years of business experience in the areas of acquisitions, accounting and corporate and financial management as well as experience of media, gaming and marketing gained in Europe, the Middle East and the Asia Pacific region. Accordingly, the Board believes that it is well placed to leverage the Licences and this experience to achieve its goal of becoming one of the top online gaming companies in the PRC.

Through the VIE Arrangements with Jingtuo (a wholly owned subsidiary of HKSS which itself is wholly owned by PCGE), the Group currently has effective control over Sihai Geju which holds the Licences relating to the internet operation of online games and, via the Framework Agreement the Group is acquiring 10 per cent. of each of HLC and HPC. HPC operates poker tournaments in Hainan Province in China and HLC is licensed by the Hainan Sports Lottery Management Centre to be a sales agent for sports lottery products through its retail outlet in Haikou (capital city of Hainan Province) and runs virtual sports lottery games. In addition, the Group has arrangements in place to roll out its business strategy in partnership with HPC and HLC pursuant to the Cooperation Agreements.

The Directors believe that the Company will offer investors an exciting opportunity to participate in the Chinese gaming industry.

### 2. The Licences, the Cooperation Agreements and the Framework Agreement

#### Licences

Through Sihai Geju, PCGE holds the following licences:

#### 1. VAT Business Permit (ISP)

This permit is required in order to enable the Company to conduct value-added telecommunications business such as games and information services via the public mobile telecommunications networks (e.g. China Mobile, China Unicom and China Telecom). Between them these networks have approximately 1.25 billion subscribers.

#### 2. Permit for Business Operation of Telecommunication and Information Services (ICP)

This is required in order for the Company to engage in certain information service activities on the internet including the publishing of websites.

#### 3. Network Cultural Business Permit

This enables the Company to operate certain prescribed 'cultural' activities for profit on the internet, subject to additional approval from or filing with the PRC authorities in respect of the specific online games that are intended to be operated. In the PRC 'cultural' activities include games such as poker, as well as other entertainment activities. It is also required in order to issue and manage 'virtual currencies', a fundamental mechanism for monetising on-line activities.

#### **4. Short Message Service Access Code Certificate**

This enables the Company to obtain premium-rate SMS codes from the mobile network operators in order to monetise games and other activities on the internet and via the telecommunications networks.

Details of these licences including their period of validity are set out in paragraph 12 of Part V of this document. In order to maintain and/or renew such licences certain requirements will need to be satisfied and/or maintained. There can be no guarantee that the Licences will be maintained and/or renewed. Furthermore, the Licences are not currently sufficient for the Group to operate online poker games and online lottery games, as these require specific approval from the PRC authorities. There can be no guarantee that the specific online games the Group intends to operate will receive such approval. Please also refer to Part II of this document dealing with certain risk factors associated with the Group's business and operations.

#### **HLC**

HLC was incorporated on 20 July 2011 and is authorised to have one store located in Haikou, the capital of Hainan, through which it is authorised to sell sports lottery in accordance with the sports lottery sales agent agreements entered into on 1 January 2014 with HSLMC and in which the public can play 'virtual' sports games.

#### **HPC**

HPC was incorporated on 23 May 2012 and is the sponsor of the 'China Hainan Texas Hold'em Poker Games' tournament which is hosted by the Department of Culture Radio Television Publication and Sports of Hainan Province. HPC owns the China Poker Games (CPG) brand and CPG's 2014 Second Qingting China Poker Championship was the largest international poker championship in China. The Directors believe that HPC is one of only a limited number of companies in China licensed to hold "real world" poker tournaments (another poker tournament is run by WPT which is an international brand). The first of these tournaments took place in Sanya, Hainan Province in September 2013 and the second took place during August 2014. The 2013 poker tournament attracted more than 500 participants and the prize money exceeded RMB 10 million. The Directors believe that the Chinese authorities will support HPC's endeavours as they are inside the Great Firewall, legal, subject to regulatory control and taxable.

#### **Cooperation Agreements**

Pursuant to the Cooperation Agreements, Sihai Geju and each of HLC and HPC have agreed a strategy for collaborating in order to maximise the growth potential of each business. Further details of the Company's intentions to exploit the Cooperation Agreements are set out in paragraphs 3 and 4 of this Part I.

#### **Framework Agreement**

The Framework Agreement grants Sihai Geju an option to purchase 10 per cent. of the equity of each of HPC and HLC for US\$3,000,000 payable in cash and/or shares and exercisable by no later than 3 May 2015 (the "**Option Right**"). Sihai Geju will immediately prior to Admission despatch notice to exercise the Option Right, with 31,456,433 new Ordinary Shares to be issued pursuant to the terms of the Framework Agreement. These shares will be admitted to trading on AIM four business days after Admission and will represent approximately 2.96 per cent. of the Further Enlarged Share Capital.

Further information about the Framework Agreement in general, the HLC Cooperation Agreement and the HPC Cooperation Agreement, are set out in paragraphs 9.11, 9.12 and 9.13 of Part V of this document. Please also refer to the paragraph headed "Risks relating to the Framework Agreement" in Part II.

### 3. Strategy in relation to the Licences

#### Licences

The Directors believe that there is considerable opportunity to leverage on the brands and businesses created by HPC and HLC such that a mutually beneficial working relationship could be created, allowing PCGE to operate the online distribution elements of the HPC and HLC businesses (subject to the relevant approvals being obtained from the PRC authorities). Accordingly, the Group has entered into the Cooperation Agreements whereby, subject to the exercise of the option rights under the Framework Agreement, it will work with the management of HPC and HLC to add value to their businesses through marketing, product enhancement and diversification into the online market. This can be achieved by utilising the Licences and obtaining relevant approvals from the PRC authorities.

The Cooperation Agreements set out the intention for PCGE and HPC/HLC to collaborate in a number of areas:

- Increasing the number of real world poker tournaments.
- Developing the China Poker Games brand internationally.
- Obtaining Chinese and international sponsors for the online and real world tournaments.
- Marketing the online and real world games nationally and internationally.
- Developing HLC's sports lottery resale business by;
  - o increasing the number and quality of retail outlets;
  - o investigating more sophisticated and attractive virtual sports games;
  - o marketing the services of HLC more effectively; and
  - o moving sports lottery sales online/on mobile.
- Developing other online gaming initiatives.
- Developing additional real world events introduced to the PRC by Sihai Geju.

With reference to the above, the Directors believe that PCGE's contribution will be as follows:

- Its standing as a quoted entity on AIM along with the business contacts and experience of the team, particularly the PRC-based team, should help HPC/HLC to expand its operations into other cities/provinces.
- PCGE's international marketing experience, PR skills and contact with media outlets should help to build the CPG brand nationally and internationally.
- Subject to obtaining any further licences required, the Licences within Sihai Geju should enable PCGE to operate on-line poker tournaments.
- PCGE's international reach and marketing expertise should enable it to attract sponsorship and other commercial collaboration in the on and offline poker tournaments.
- The CPG tournaments currently attract mostly Chinese nationals. The online qualification mechanism and the Group's international marketing experience should enable the Group to extend CPG's reach and attract increasing numbers of players from outside the PRC.
- PCGE has considerable experience of international lottery products and spin-offs, as well as hybrid lottery/promotional products and marketing techniques. The Directors believe that these, along with the Licences in Sihai Geju which may enable online lottery sales, can add considerable value to HLC.
- The Board expects the PCGE portal, with its online-TV promotions, poker tournaments and, potentially, online lottery sales, to attract significant footfall and the Directors intend to develop other games initiatives to capitalise on this traffic.

- The management of HPC/HLC have a background in sports events and their management of Asia's second largest poker tournament is testimony to their expertise in event management. Starting with the Company's online-TV project the Board intends to develop the events side of the business.

The Directors intend that the key revenue stream going forward will be based on the Group's existing relationship with HPC, whereby the Group will run preliminary rounds of Texas Hold'em and other poker games online, the winners of which would be entered into HPC's annual poker tournaments in Hainan.

The revenue generated from the online poker games would be split 10:90 (i.e. 10 per cent. allocated to Sihai Geju and 90 per cent. allocated to HPC). The Directors intend that the games will be conducted with players paying a fixed fee to enter a match and being assigned a limited number of virtual credits with which to play. Players cannot purchase additional credits in order to raise the stakes, as they can in UK and other international markets. The winner of a game is then assigned a prize in a virtual currency, details of which are set out below.

The Directors also believe that the Group can use its existing good relationship with HLC to launch a series of sports lottery games, which would operate in a similar manner to existing sports lotteries.

In addition, the Directors intend to exploit the Group's Licences in media distribution, premium SMS and virtual currency to create access to online or internet operation of games and entertainment. It is the Directors' intention to use the Group's online media distribution licences to enable international media channels to become more conspicuous and available in the PRC.

The Company has identified a number of opportunities to exploit the Licences further in the PRC. These involve the distribution of games and other media as well as premium SMS activity, cross-channel promotions and the issuing of virtual currencies. Initiatives include:

1. **Broadcast events** – The Company is in negotiations to bring a major broadcast event to the PRC with participants entering through a series of online 'heats'.
2. **Stock market games** – These involve players "buying in" to a virtual mirror image of the stock exchange to try and increase the value of their virtual investments. Players are charged for each virtual transaction they carry out, via either premium SMS or internet based messages. The Group would seek to obtain a sponsor (a regional bank/ investment firm), with whom they could collaborate to award prizes to the best players including job opportunities with the sponsor. These have been tried in other territories and with their low barriers to entry (low cost, access through internet, mobile and SMS) the Directors believe they may get significant traction, and may generate significant revenues in the PRC.
3. **Chat channels** – These have been successful in Europe, the USA and the Middle East and the Directors believe they may play well in the PRC. The Group intends to roll out channels based on sport, music, culture and fashion, to which customers would send texts discussing and debating various topics. There would also exist the possibility to gain revenue streams from advertising.
4. **Virtual currencies** – Sihai Geju's Network Cultural Business Permit authorises Sihai Geju to issue and manage virtual currencies for use on the internet. These currencies can then be used for entering competitions and can be spent or earned through the purchase or sale of virtual goods in online social games.

The Directors intend that the PCGE website becomes a portal enabling access to:

- the online entry for the major broadcast event described above. The Directors intend to seek extensive promotion on national television;
- enter the online qualifying rounds for the real world poker tournaments operated by HPC (subject to obtaining relevant approvals from the PRC authorities);
- enter the stock market game, which again the Directors expect to be widely promoted on national television; and

- online sports lottery sales operated by HLC (subject to obtaining relevant approvals from the PRC authorities).

Cumulatively the Directors expect these activities to drive considerable footfall to the website and it is the Directors' intention to capitalise on this traffic by introducing further revenue-generating online games and advertising.

### **Development of the Licences**

The Company proposes to utilise the Licences to create and market online games, including online poker tournaments. The Company also intends to create an online sport lottery sales portal. Following creation of the online platform and specific games, the Company will be required to obtain authorisation from the China Sports Lottery Administration Centre (for the sports lottery) and Ministry of Information Industry and the Ministry of Culture (for the poker tournaments).

## **4. The Market**

### **General**

With the exception of sports and welfare lotteries, which are sanctioned by the Central People's Government (the State Council), all gambling or games of chance are illegal in the PRC unless specifically approved by the State Council.

Poker tournaments approved by governing authorities in China are not considered to be gambling. However, online poker games and tournaments are particularly sensitive, and as such, the Directors intend to seek a preliminary view from the relevant PRC local authority to determine whether the specific online games it is seeking to operate are likely to be approved. Please refer to Part II of this document for certain risk factors relating to the sensitive nature of online games.

### **The Chinese poker tournament market**

#### ***Regulatory Framework***

According to the Sports Law promulgated by Standing Committee of the National People's Congress as of 29 August 1995 and amended as of 27 August 2009, the comprehensive national events shall be administered by the administrative department for sports culture and sports under the State Council or in conjunction with other relevant organisations. National events of an individual sport competition shall be administered by the national association of the said sport. Implementation measures for the administration of local sports comprehensive events and local individual sport competitions shall be formulated by the local people's governments. Among others, it is strictly prohibited for any organisation or individual to engage in gambling activities through sports competitions.

According to the Circular Qiong Fu Ban [2000] 46 issued by the Government of Hainan Province on 9 May 2000, the division in charge of competition and sports culture has the authority over establishment of individual sport competition as well as organisation and administration of comprehensive provincial events.

#### ***Online poker games***

Online games in the PRC are governed by various PRC laws and regulations relating to the telecommunications industry, online games, and supervised by various government authorities, including the Ministry of Information Industry and the Ministry of Culture.

Online game business operators are required by PRC laws and regulations to hold a variety of permits and licenses, including but not limited to the VAT Business Permit (ISP), Permit for Business Operation of Telecommunication and Information Services (ICP License) and Network Culture Business Permit. As set out in paragraph 2 above, these three licences form part of the Licences currently held by the Group.

## ***The Market***

The Directors believe that there are between 700 and 1,000 poker clubs in the PRC, each with between 500 and 2,000 members. Macau generated US\$45.27 billion in revenues in 2013 from gaming and gambling according to research by Statistica. Further, the China Centre for Lottery Studies at Peking University estimates that Chinese resident gamblers spend around US\$97 billion each year via offshore online gambling websites.

Many international brands offer online poker in China (Ladbrokes, 888.com, Betfair etc.) and many of them have Mandarin websites and accept RMB, but these sites are often blocked by the PRC government. In order to access them you need to ‘jump the wall’ using a VPN. The Directors believe that the appeal of a legal, state approved on-shore poker site which will be linked to HPC and its “real world” poker tournaments is therefore considerable.

## ***The product***

To enter a typical tournament, a player pays a fixed buy-in at the start of play and is given a certain quantity of tournament poker chips. The winner is usually the person who wins every poker chip in the final game. Players lose their chips and are eliminated. The conclusion of the tournament takes place around the ‘final table’ when all but one are eliminated.

## ***Events***

The first poker tournament to take place in mainland China was the World Poker Tour event in December 2012 in Sanya, Hainan Province. China Poker Games, the brand of HPC, staged their first poker tournament in September of the following year, again in Sanya. Their second tournament took place between 22 August – 31 August 2014 in Sanya. Under the terms of the HPC Cooperation Agreement, which is subject to the option to acquire equity in HPC being exercised pursuant to the Framework Agreement, the Company intends to host preliminary qualifying rounds of future tournaments online (subject to obtaining the necessary regulatory approvals), the winners of which will be able to compete in the finals in Sanya.

## **The Chinese lottery market**

### ***Regulatory Framework***

The State Council promulgated the Lottery Administration Regulations in 2009 according to which lotteries are supervised and managed by the financial department. Lottery licences are issued by two government bodies: The China Welfare Lottery Issuance and Administration Centre, which reports to the Ministry of Civil Affairs, issues Welfare Lottery to provide social welfare to the Chinese public and the China Sports Lottery Administration Centre, founded in 1994 and which reports to the General Administration of Sports of China, which issues sports lottery products to raise funds for sports developments.

Lottery sales entities are established by the department of civil affairs and department of physical culture under the provincial governments. Agents of lottery products should enter into agent sale contracts with lottery issuance or lottery sales entities and obtain the agent sale permits. Online sale of lottery products is closely restricted by the Ministry of Finance and is subject to special legal requirements including:

- Having a minimum registered capital of RMB50 million;
- Entering into a sales agency agreement with local sports lottery authority; and
- Obtaining the sales agency permit in addition to the ICP license.

### ***Products***

#### ***a) Welfare lottery***

The Welfare lottery game ‘Lotto’ involves choosing six red balls, numbered from one to thirty three and one blue ball, numbered from one to 16. Depending on the subsequent draw players can win a jackpot (typically RMB 10 million) or any of a number of fixed prizes.

b) *Sports lottery*

Sports lottery is based predominantly around football or basketball and involves predicting the results of matches or groups of matches, including final scores. Prizes are awarded based on odds provided by the provincial lottery centres. Sports lotteries involve an element of skill in evaluating the capabilities of the teams and individual players.

Sports lotteries can also be based on virtual games shown on screens in lottery shops where players predict the winners or the first three places. The games start every four minutes and the players complete a paper entry, submit it and their payment to the cashier and, if they win, collect their cash prize in store.

***The Market***

The Directors believe that lottery sales in the PRC have grown significantly in recent years and the Directors believe that such growth will continue in the next two years.

***Drivers of growth***

a) *GDP/disposable income*

- o GDP per capita in the PRC has risen from US\$2,403 in 2009 to US\$3,345 in 2013, an increase of 39.2 per cent. with a further 7.12 per cent. increase predicted in 2014.\*
- o Over the same period disposable income per capita has grown from RMB15,780 to RMB24,565, an increase of over 55 per cent. with further rises of 9.7 per cent. predicted in 2014.\*

*\*National Bureau of Statistics China*

b) *Regulation*

- o With an illegal gambling market estimated in 2010 to be in excess of RMB 1 trillion the Directors believe that the PRC government may seek to encourage more legal participation in gaming activities by new products and/or wider distribution channels.

c) *Growth in internet penetration*

- o Since 2008 China has had more internet users than any other country. Globally more than one in five of all those with internet access are in China. The Directors believe that as sales of lottery products increasingly become available online this will drive significant growth.
- o According to a report released by the China Internet Network Information Centre (CNNIC) in January 2014, the number of internet users in China reached 618 million by the end of 2013, representing a penetration rate of 45.8 per cent. This represents an increase of 53.58 million (9.5 per cent.) over the previous year.

(Source: <http://www1.cnnic.cn/>)

**5. Key Strengths**

The Board believes that the Group has the following key strengths:

- the Group's ability to leverage its relationship with HPC and HLC, who, in turn, have strong positions in their market and relations with local government and regulatory bodies;
- the high barriers to entry to other firms trying to enter the market in respect of "real world" tournaments in Hainan;
- the strength and experience of the management team operating in this sector;
- the strong and continuing economic growth of the PRC specifically, and the Asia-Pacific region generally; and
- the CPG brand becoming recognised amongst the poker playing community as representing legal, regulated, safe, onshore poker.

## **6. Competition**

The Directors expect that as poker tournaments expand into other provinces there will be increasing competition from legitimate and illegitimate organisations. However, the Directors believe that there are considerable barriers to entry in respect of “real world” poker tournaments in Hainan. Hainan is a special economic zone with ‘light touch’ regulation on sports and cultural events but, the Directors believe, has so far only given two companies licenses to run poker tournaments. The Directors believe that, together, HPC’s first mover advantage (two successful poker tournaments and a strong brand) and the Group’s Licences will put sufficient distance between HPC and any future competitors for HPC to be able to realise its objectives offline and online.

## **7. Directors, senior management and employees**

Brief biographies of the Directors and the senior managers of the Group are set out below. Paragraph 6 of Part V of this document contains further details of current and past directorships and certain other important information regarding the Directors.

### **Directors**

#### ***Kung Min Lin, aged 48, Non-Executive Chairman***

Mr Lin holds an MA in International Business and Management from Westminster University. Mr Lin has extensive experience in currency and index trading through a decade of involvement in a number of Taiwan based banking and foreign exchange operations. In 2000 Mr. Lin was appointed Director and Chief Operating Officer of Ozmosa Limited, a sports betting operator in the East and South East Asia regions. Mr Lin is the Chairman of the Power Capital Group, based in Taiwan, which holds various foreign exchange trading and asset management businesses across Asia. Mr Lin is Chairman of Power Capital Global Limited, a commodities trading business, and Chairman of MoneySwap PLC, both of which are traded on AIM.

#### ***Richard O’Dell Poulden, aged 62, Non-Executive Deputy Chairman***

Following a law degree from Oxford University, Mr. Poulden qualified as a Barrister, after which he moved into merchant banking where he worked for Samuel Montagu & Co Limited. Following an MBA at the London Business School and an exchange program with Harvard Business School, he joined the international management consultancy firm, Arthur D Little, where he worked in their European strategy practice. He was also co-founder of its Financial Industries Group. He served in the UK Leadership Team of Electronic Data Systems where he worked on developing new financial structures for the sale of Electronic Data Systems services. He has founded or co-founded successful companies in healthcare, retail and natural resources and in all these sectors he has executed successful strategies for growth by acquisition. Mr Poulden is Chairman of AIM traded Wishbone Gold PLC and Chairman of Black Swan plc.

#### ***Nicholas (Nick) Jonathan Michael Charles Bryant, aged 53, Chief Executive Officer***

Mr Bryant has spent more than 25 years in the media industry working for major advertising agencies (Young and Rubicam, an advertising agency now known as Y&R, Boase Massimi Pollit, an advertising agency renamed DDB London), broadcasters (BSkyB (British Sky Broadcasting), Showtime Arabia Ltd (now known as OSN Networks), Middle East Broadcasting Centre FC LLC (“MBC”)) and managing sponsorship and digital media companies (Media Dimensions Limited, Txt TV FZ LLC).

In the 1980s, he established Media Dimensions Limited which became a media sponsorship agency in the UK and was active in devising and managing promotional games on television and in the national press. In the 1990s, he was a director of commercial operations of BSkyB’s “Open...” service. Subsequently, he became a group director of MBC, where he was responsible for gaming, premium-rate services and mobile application development. He also started Txt TV FZ LLC which was a significant TV chat channel and premium-rate service provider in the Middle East. Most recently, he was managing director of Luup Limited, a mobile payments solution provider based in London, Oslo and Dubai. Mr Bryant has a BA from the University of Essex.

***Clive Mark Hyman, aged 53, Chief Financial Officer***

Mr Hyman, an Exhibitioner at Christ's College, Cambridge, is also a Chartered Accountant with experience in quoted and unquoted companies. He was a partner with KPMG in their London office, where he was a founding partner of KPMG's Transaction Services businesses. In addition, he was a founding partner of KPMG's private equity group, developing relationships in the private equity community in New York and London for the firm. During his time at KPMG, he serviced many large clients in the corporate and private equity community. He also led and founded KPMG's K-Ventures fund in 1999 and invested successfully in early stage propositions. He left the firm in 2005. He was group CFO of a healthcare business from July 2010 to August 2011 and in April 2012 became a non-executive and independent board member of Petrol Ofisi AS, a Turkish listed group, majority owned by OMV AG. He became a consultant to Black Swan plc in April 2013 and in addition has been the CFO of Wishbone Gold PLC since September 2013.

***Professor Michael Raymond Mainelli, aged 55, Non-Executive Director***

Professor Mainelli co-founded Z/Yen Group Limited ("Z/Yen"), a commercial think-tank, in 1994 to promote societal advance through better finance and technology. In his career he has worked in rocket science, finance and technology. Professor Mainelli has worked on the internet since 1976 with numerous early stage technologies, such as developing games for clients, e.g. Sony, as well as for Z/Yen. Professor Mainelli won a 1996 Foresight Challenge award for creating the Financial Laboratory, melding military gaming with trading to visualise financial risk, and a 2003 UK Smart Award for PropheZy, Z/Yen's prediction software. Professor Mainelli has been a commentator on the fusion of betting, gaming and finance over the years, including work on weather bets and sports contingency risk. After a post at Arthur Andersen, Professor Mainelli spent seven years as a partner and board member of the leading accountancy firm, BDO Binder Hamlyn, directing global consulting projects. While co-founding Z/Yen, Professor Mainelli served as a Director of Europe's largest R&D organisation (the Defence Evaluation & Research Agency) leading to two privatisations.

Educated at Harvard, Trinity College Dublin and the London School of Economics, Professor Mainelli is a qualified accountant, securities professional, computer specialist and management consultant, he was 2004/2005 British Computer Society "Director of the Year". In 2005, he was the Mercers' School Memorial Professor of Commerce at Gresham College. Professor Mainelli is a non-executive director of the United Kingdom Accreditation Service (UK's national body for standards and laboratories) and AIM traded Wishbone Gold plc and has held numerous advisory posts, including Hitachi UK and HM Treasury.

***Alan David Gravett, aged 66, Non-Executive Director***

Mr Gravett commenced employment with Barclays Bank Trust Company Limited, (then Barclays Bank Executor and Trustee Department), in 1965 achieving the Trustee Diploma of the Institute of Bankers in 1973. By 1986 he had become manager of their Gibraltar operation, dealing with the administration of companies and trusts, leaving in 1988 and remaining in Gibraltar to join a large local trust corporation. In 1993 he became an executive director of a smaller local trust corporation and remained there for 18 years leaving when the trust corporation was sold. He is now a freelance consultant based in Gibraltar but continues to be closely involved with company and trust structures for a wide range of international clients.

**Senior management**

***Xu Lei (Alex) Xuleai, aged 34, Vice President***

After graduating from the South-Central University for Nationalities in Wuhan with a degree in computer science in 2003, in 2004 Mr Xuleai set up Beijing Hiland Kaiyo Technologies, where he designed and developed gold margin trading systems. In 2010 he was employed as a product research director in charge of the design and implementation of precious metals and related-derivatives trading for the Beijing Gold Exchange, following which he became the Vice President of Pan Asia Gold Exchange. At PCGE he will be responsible for the business operations of the Group in China.

## **8. Current trading and historical financial information**

The Group is currently an early stage holding company and has not yet generated any revenue. An accountants' report on the Company is set out in Section A of Part III of this document, financial information of the Company for the period from 1 January 2011 to 30 June 2014 is set out in Part B of Part III of this document and an unaudited pro-forma statement of combined net assets of the Company is set out in Part C of Part III of this document.

## **9. Group structure**

PCGE has been incorporated as a public limited company in Gibraltar. PRC laws and regulations currently restrict foreign ownership in companies within certain industries in China, including value-added telecommunications services and internet information service industry. In order to comply with PRC laws and regulations, PCGE has established a structure to enable it to operate in the gaming and entertainment sector in China. PCGE has a wholly-owned subsidiary in Hong Kong, HKSS, which it acquired on 20 December 2013 pursuant to the Share Sale Agreement (details of which are set out in paragraph 9.10 of Part V of this document). HKSS owns 100 per cent. of Jingtuo, a WFOE which was incorporated on 25 February 2013. Jingtuo was acquired by HKSS shortly after its incorporation. Jingtuo, through a VIE structure, controls Sihai Geju, which holds the Licences and, in addition, holds the option to acquire 10 per cent. of the equity share capital of each of HPC and HLC via the Framework Agreement.

Further details of the VIE Arrangements are set out below. A VIE involves an investor having a controlling interest in a company that is not based on holding the majority of voting rights in that company. As such, the Company does not enjoy direct equity ownership of Sihai Geju (which is privately owned by two individuals in the proportion of 60 per cent. and 40 per cent.). Instead, on 30 August 2011, Jingtuo entered into a number of contractual arrangements with Sihai Geju and the PRC Shareholders (a number of which were reinstated on 4 November 2014) which enable the Group to:

- exercise effective managerial, operational and financial control over Sihai Geju;
- receive substantially all of the economic benefits through contracted service fees; and
- have an exclusive option to purchase all of the equity interests in Sihai Geju to the extent PRC laws and local policies may permit in the future.

In accordance with the relevant PRC regulations, Sihai Geju is required to transfer 10 per cent. of its profit after income tax to the statutory surplus reserve until the reserve balance reaches 50 per cent. of the registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25 per cent. of the registered capital.

The VIE Arrangements enable the Group to effectively control Sihai Geju. Please refer to paragraph 9.23 of Part V of this document for further details of the VIE Arrangements, which include two loan agreements, a business operation agreement, a power of attorney, an exclusive technology supporting and consultant services agreement, a share pledge agreement, and an exclusive call option agreement.

## **10. The Issue and the Warrants**

The Company has, conditional, *inter alia*, on Admission raised gross proceeds of £3.41 million (with estimated expenses of £0.99 million) by the issue of 56,833,334 Issue Shares through the Placing and the Subscription.

The 32,500,000 Subscription Shares, raising £1.95 million before expenses, have been subscribed for under the Subscription Agreement, conditional, *inter alia*, on Admission, at the Issue Price by the Subscribers. The Subscription was conducted directly by the Company.

The Subscription Shares will represent approximately 3.15 per cent. of the Enlarged Share Capital (and approximately 3.06 per cent. of the Further Enlarged Share Capital).

The 24,333,334 Placing Shares, raising approximately £1.83 million before expenses, have been conditionally placed at the Issue Price by Beaufort Securities, the Company's Broker, on behalf of the Company with institutional and other investors through the Placing.

The Placing is conditional, *inter alia*, on:

- the Placing Agreement becoming unconditional and not having been terminated in accordance with its terms prior to Admission; and
- Admission occurring by no later than 4 December 2014 (or such later date as Beaufort Securities, Sanlam Securities and the Company may agree, being no later than 2 January 2015).

The Placing Shares will represent approximately 2.36 per cent. of the Enlarged Share Capital (and approximately 2.29 per cent. of the Further Enlarged Share Capital).

The Issue Shares will represent approximately 5.51 per cent. of the Enlarged Share Capital (and approximately 5.35 per cent. of the Further Enlarged Share Capital).

The Issue Shares will, when issued, rank *pari passu* in all respects with the Existing Ordinary Shares including all rights to dividends and other distributions declared, made or paid following Admission and will be issued fully paid. The Issue has not been underwritten.

In the case of Placees and/or the Subscriber requesting Issue Shares in uncertificated form, it is expected that the appropriate stock accounts of Placees and/or the Subscriber will be credited on or around the date of Admission.

In the case of Placees and/or the Subscriber requesting Issue Shares in certificated form, it is expected that certificates in respect of the Issue Shares will be despatched by post within seven days of the date of Admission.

In addition to the Issue Shares, each Placee and Subscriber will receive two Warrants, which have an exercise price of 2p per Warrant, for every Issue Share for which they have subscribed. The Warrants will be exercisable for a period of one year, beginning on the first anniversary of Admission and ending on the second anniversary of Admission, provided the Issue Shares have been held continuously from Admission. Further details of the Warrants are set out in Part IV.

Further details of the Placing Agreement and the Subscription Agreement are set out in paragraphs 10 and 9.16 respectively of Part V of this document.

## **11. Reasons for Admission and use of the proceeds of the Issue**

The Company is seeking Admission to AIM in order to take advantage of:

- that market's public profile thereby promoting the Group;
- a broader investor base;
- increased liquidity;
- access to institutional and other investors not only on Admission but in the secondary market; and
- the ability to issue equity as consideration for future acquisitions.

The gross proceeds of the Issue will be used as follows:

- £0.99 million to meet the costs of Admission;
- £2.42 million to develop the Licences, including seeking relevant regulatory approvals and fund the working capital requirements of the Company.

## **12. Dividend Policy**

The Directors recognise the importance of dividends to investors and, as the Group's business matures, will keep under review the desirability of paying dividends. Future income generated by the Group is likely to be re-invested to implement its growth strategy. In view of this, it is unlikely that the Board will recommend a dividend in the early years following Admission. However, the Board intends that the

Company will recommend or declare dividends at some future date once they consider it commercially prudent for the Company to do so, bearing in mind the financial position and resources required for the Group's development.

Although the Board intends to pay dividends to Shareholders in the future in line with its dividend policy as detailed above, there can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any dividends at any point in the future.

### **13. Lock-in and orderly market arrangements**

In accordance with the AIM Rules for Companies, the Directors have undertaken to Sanlam Securities, Beaufort Securities and the Company:

- that neither the Directors nor the Applicable Employees nor their respective connected persons will dispose of any interest in their Ordinary Shares (including any Ordinary Shares which they may subsequently acquire within one year of Admission) or any options to subscribe for Ordinary Shares for a minimum period of 12 months following Admission except in the very limited circumstances allowed by the AIM Rules for Companies; and
- that they will not (and they will use their reasonable endeavours to procure that connected persons will not) dispose of any interest in Ordinary Shares other than through Beaufort Securities, provided that Beaufort Securities offer competitive terms in the event of any disposal, and in accordance with the reasonable requirements of Beaufort Securities so as to ensure an orderly market for the issued share capital of the Company for a period of 12 months following the first anniversary of Admission.

These lock-in provisions will not apply in the event of an intervening court order; the death of the investor; or in respect of an acceptance of a takeover offer for the Company which is open to all shareholders of the Company.

Under the Framework Agreement, each party (other than the Company) enters into lock-in and orderly market arrangements in respect of the Ordinary Shares that might be issued to them on the exercise of the Option Rights conferred under the Framework Agreement, further details of which are set out in paragraph 9.11 of Part V of this document. Further details of the lock-in and orderly market arrangements are set out in paragraph 11 of Part V of this document.

### **14. Equity Line Facility**

The Company has entered into a Standby Equity Distribution Agreement up to £2 million with YA Global Master SPV, an investment fund managed by Yorkville Advisors, LLC. This arrangement is expected to provide enhanced access to capital at prices close to the then prevailing market price. This access to additional short term funding may be required for project and investment decisions in the short to medium term. The Company may draw down funds from time to time in accordance with the terms of the Yorkville SEDA, over a period of up to three years, in exchange for the issue of new shares in the capital of the Company. All the shares issued will be at a price based on existing market conditions at the time of each drawdown. Further details of the Yorkville SEDA are set out in paragraph 9.17 of Part V of this document.

### **15. Corporate governance and compliance**

The Company is compliant with the corporate governance regime of Gibraltar. The Directors have established financial controls and reporting procedures which are considered appropriate given the size and structure of the Company. These controls will be reviewed in the light of any acquisitions or significant growth of the Company's business and adjusted accordingly.

The Directors are committed to maintaining high standards of corporate governance, and propose, so far as is practicable given the Company's size and nature, to comply with the QCA Code. However, at present, due to the size of the Company, the Directors acknowledge that adherence to certain other provisions of the QCA Code may be delayed until such time as the Directors and their advisers are able to adopt them fully.

Alan Gravett and Michael Mainelli are considered by the Board to be independent Non-Executive Directors, notwithstanding that under their respective letters of appointment each may be paid in Ordinary Shares as an alternative to cash, at the election of the Company, and they each have common directorships with other members of the Board. This matter of independence will be re-visited by the Board on a periodic basis.

The Company will hold regular quarterly board meetings, with additional board meetings as further issues arise which require the attention of the Board. The Board is responsible for the management of the business of the Company, setting the strategic direction of the Company and establishing the policies of the Company. It is the Directors' responsibility to oversee the financial position of the Company and monitor the business and affairs of the Company, on behalf of the Shareholders, to whom they are accountable. The primary duty of the Directors is to act in the best interests of the Company at all times. The Board also addresses issues relating to internal control and the Company's approach to risk management and has formally adopted an anti-corruption and bribery policy.

The Directors have established a Remuneration Committee, an Audit Committee and an AIM Rules Compliance Committee with formally delegated duties and responsibilities. Due to the size of the Company, questions of risk management will be assessed by the entire Board.

#### ***Audit Committee***

The Audit Committee, which currently comprises Richard Poulton and Michael Mainelli, with Michael Mainelli as chairman, has the primary responsibility for monitoring the quality of internal control and ensuring that the financial performance of the Company is properly measured and reported on and for reviewing reports from the Company's auditors relating to the Company's accounting and internal controls. The committee is also responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring the financial performance of the Company is properly monitored and reported. The audit committee will meet not less than three times a year.

#### ***Remuneration Committee***

The Remuneration Committee, which currently comprises Alan Gravett and Richard Poulton, with Alan Gravett as chairman, is responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company.

#### ***AIM Rules Compliance Committee***

The AIM Rules Compliance Committee, which currently comprises Richard Poulton and Alan Gravett, with Richard Poulton as chairman, is responsible for monitoring and reporting on the Company's compliance with the AIM Rules for Companies. The AIM Rules Compliance Committee will also consult with the Company's nominated adviser from time to time in relation to such compliance.

The Company does not have a nomination committee, and will not have one on Admission, as the Board does not consider it appropriate to establish such a committee at this stage of the Company's development.

### **16. Share dealing code**

The Company has adopted a share dealing code of Directors' dealings appropriate for a company whose shares are admitted to trading on AIM which conforms to the requirements of the AIM Rules for Companies (the "**Share Dealing Code**"). The Company will be responsible for taking all proper and reasonable steps to ensure compliance by the Directors and any relevant individuals with the Share Dealing Code.

### **17. Share option scheme**

The Directors believe that the recruitment, motivation and retention of key employees is vital for the successful growth of the Company. The Directors consider that an important element in achieving these objectives is the ability to incentivise and reward staff (including Executive Directors) through the grant

of options. As a result, the Company has established the Share Option Scheme, further details of which are set out at paragraph 9.15 of Part V of this document. Options may also be granted under the scheme to consultants and professional advisers to the Group.

The total number of Ordinary Shares that may be committed under the Scheme will represent a maximum of 15 per cent. of the Company's issued ordinary share capital from time to time. On Admission, no options will be in issue under the Share Option Scheme.

## **18. CREST and Depositary Interests**

Shares of non-UK companies, such as the Company, which is incorporated in Gibraltar, cannot be held and transferred directly in the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Shareholders who wish to hold and transfer Ordinary Shares in uncertificated form may do so pursuant to a Depositary Interest arrangement established by the Company.

Depositary Interests facilitate the trading and settlement of shares in non-UK companies into CREST. The Ordinary Shares will not themselves be admitted to CREST. Instead the Depositary will issue Depositary Interests in respect of the underlying Ordinary Shares. The Depositary Interests are independent securities constituted under English law that may be held and transferred through CREST. The Depositary Interests are created and issued pursuant to a Deed Poll executed by the issuer under English law, copies of which are available from the Depositary, and the provisions of the Deed Poll are expressed to bind all holders, future and present.

Depositary Interests have the same international security identification number (ISIN) and TIDM Code as the underlying Ordinary Shares. The Depositary Interests are created and issued pursuant to a Deed Poll with the Depositary, which governs the relationship between the Depositary and the holders of the Depositary Interests.

Ordinary Shares represented by Depositary Interests are held on bare trust for the holders of the Depositary Interests. Each Depositary Interest is treated as one Ordinary Share for the purposes of determining eligibility for dividends, issues of bonus stock and voting entitlements. In respect of any cash dividends, the Company will put the Depositary in funds for the payment and the Depositary will transfer the money to the holders of the Depositary Interests. In respect of any bonus stock, the Company will allot any bonus stock to the Depositary who will issue such bonus stock to the holder of the Depositary Interest (or as such holder may have directed) in registered form.

In respect of voting, the Depositary will cast votes in respect of the Ordinary Shares as directed by the holders of the Depositary Interests which the relevant Ordinary Shares represent.

Further details of the depositary arrangements are set out in paragraphs 9.8 and 21 of Part V. Further information regarding the depositary arrangements and the holding of Ordinary Shares in the form of DIs is available from the Depositary Interest Registrars. The Depositary Interest Registrars may be contacted at Capita IRG Trustees Limited, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able so to do. All the Ordinary Shares will be in registered form and no temporary documents of title will be issued.

## **19. Admission to trading, settlement and dealing arrangements**

Application has been made to the London Stock Exchange for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and dealings will commence in the Enlarged Share Capital at 8.00 a.m. on 4 December 2014. No application has or will be made for the Enlarged Share Capital to be admitted to trading or to be listed on any other stock exchange. No application has or will be made for the Warrants to be admitted to trading or to be listed on AIM or any other stock exchange.

No temporary documents of title will be issued. All documents sent by or to a place, will be sent through the post at the Placee's/Subscriber's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

Sanlam Securities has been appointed as the Company's nominated adviser and Beaufort Securities has been appointed as the Company's broker in relation to the Placing and Admission.

## **20. Taxation**

Your attention is drawn to the information regarding taxation which is set out in paragraph 19 of Part V of this document. That information is intended only as a general guide to the current tax position under UK and Gibraltar taxation law. If you are in any doubt as to your tax position, you should contact your independent professional adviser.

## **21. City Code**

The provisions of the City Code will not apply to the Company. It is emphasised that, although the Ordinary Shares will trade on AIM, the Company will not be subject to takeover regulation in the UK. Shareholders may not therefore be afforded the protections of the City Code as they might have if they were shareholders in a company where a takeover is regulated by the Takeover Panel. As a Gibraltar company the Company will be subject to the Companies (Cross-Boarder Mergers) Regulations 2010. Further information on the rules surrounding takeovers of public Gibraltar companies is set out in paragraph 20 of Part V of this document.

## **22. Disclosure Rules and Transparency Rules**

As the Company is incorporated in Gibraltar, Shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of certain companies incorporated under English law and regulation, specifically the Disclosure Rules and Transparency Rules. In particular, the relevant provisions of chapter 5 of the Disclosure Rules and Transparency Rules do not apply. However, the Articles contain provisions requiring the disclosure of voting rights in Ordinary Shares in accordance with the provisions of the Disclosure Rules and Transparency Rules. Article 70 of the Articles requires that the Shareholders comply with Rule 17 of the AIM Rules for Companies, but this may not always ensure compliance with the requirements of Rule 17 of the AIM Rules for Companies. Furthermore, the Articles may be amended by a resolution of the Shareholders.

## **23. Pre-emption rights**

There are no pre-emption rights under the Gibraltar Act or incorporated into the Articles, as further described in paragraph 8.15 of Part V of this document.

## **24. Risk factors and further information**

Your attention is drawn to the risk factors set out in Part II of this document. Shareholders and potential investors should carefully consider the risks described in Part II before making a decision to invest in the Company. Your attention is also drawn to Parts III and IV of this document which contain further information on the Group.

## PART II

### RISK FACTORS

Any investment in the Ordinary Shares and/or Warrants is subject to a number of risks. Before making an investment decision with respect to the Ordinary Shares and/or Warrants, prospective investors should carefully consider the risks associated with an investment in the Company, the Group's business and the industry and countries in which the Group intends to make, and has made, acquisitions, in addition to all of the other information set out in this document and, in particular, those risks described below.

Prospective investors should therefore consider carefully whether an investment in the Company is suitable for them in the light of the risk factors outlined below, their personal circumstances and the financial resources available to them.

If any of the circumstances identified in the risk factors were to materialise, the Group's business, financial condition, results of operations and future prospects could be adversely affected and investors may lose all or part of their investment. Certain risks of which the Directors are aware at the date of this document and which they consider material to prospective investors are set out in the risk factors below, however, further risks and uncertainties relating to the Group which are not currently known to the Directors, or that the Directors do not currently deem material, may also have an adverse effect on the Group's business, financial condition, results of operations and future prospects. If this occurs, the price of the Ordinary Shares may decline and investors may lose all or part of their investment. An investment in the Group may not be suitable for all recipients of this document. Potential investors are therefore strongly recommended to consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 and who specialises in advising upon the acquisition of shares and other securities before making a decision to invest.

The risks are not presented in any order of priority and no inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

#### 1. Risks relating to the Company

##### *Limited operating history*

The Company is a recently formed company that has a limited trading history and financial track record with more limited internal systems and controls than those which investors would expect from a larger, more established business. Although the Company has acquired the Licences and entered into the Framework Agreement in respect of the Gaming Investments and the Cooperation Agreements, the Group has not yet utilised the Licences nor implemented its strategy, which is dependent on completion of the Issue. As a result, there can be no assurance that the Group will be successful and prospective investors do not have financial or other information regarding future information on the Group's future prospects to assist them in making their investment decision. There is, therefore, no basis on which to evaluate the Group's ability to achieve its business objective and provide a satisfactory investment return.

##### *Reliance on third parties*

The Group intends to use third parties for the operation of the online gaming, payment processing and IT services. Failure by these third parties could cause material disruption to the Group limiting its ability to operate until a replacement operator can be found, assuming one could be found at all.

##### *Reliance on key personnel*

The success of the Group will be dependent on the services of key management and operating personnel. The Directors believe that the Group's future success will depend largely on its ability to attract and retain highly skilled and qualified personnel, and to expand, train and manage its employee

base. There can be no guarantee that suitably skilled and qualified individuals will be identified and employed or contracted on satisfactory terms or at all. If the Group fails to recruit or retain the necessary personnel, or if the Group loses the services of any of its key executives, its business could be materially and adversely affected.

#### ***Future funding requirements***

The Group's longer-term capital requirements will depend on many factors, including, but not limited to, working capital requirements and capital expenditure. To the extent that the existing resources are insufficient to fund its activities in the longer-term, the Company may need to raise additional funds through public or private financing. No assurance can be given that additional financing will be available or that, if available, the terms of such financing will be favourable to the Company or its Shareholders. If, in the longer-term, the Company raises additional funds by issuing more Ordinary Shares, the ownership interest of Shareholders could be significantly diluted and any additional issues may have rights, preferences or privileges senior to the rights currently assigned to the Ordinary Shares.

#### ***Competition***

The Group is operating in a competitive market. Many of the Group's competitors will have greater financial and other resources than the Group and, as a result, may be in a better position to compete for potential opportunities. In addition many of its competitors will have already established online businesses and have strong positions in the industry. This competition could have a material adverse effect on the Group's financial condition, results or operations as well as the Group's ability to attract and retain highly skilled individuals. There can be no assurance that the Group can, or will be able to, compete effectively.

#### ***Actions of third parties, including contractors and partners***

The Group will be reliant to a significant extent on third parties to provide contracting services. There can be no assurance that these business relationships will continue to be maintained or that new ones will be successfully formed. A breach or disruption in these relationships could be detrimental to the future business, operating results and/or financial performance of the Group. To the extent that the Group cannot engage contractors according to its plans and budgets, its financial performance may be adversely impaired.

In certain circumstances, the Group may be liable for the acts or omissions of its partners. If a third party pursues claims against the Group or against a joint venture vehicle as a result of the acts or omissions of the Group's partners, the Group's ability to recover from such partners may be limited. Recovery under such arrangements may involve delay, management time, costs and expenses or may not be possible at all which, in each case, could adversely affect the Group's financial performance and condition.

#### ***Acquisitions***

The Company may seek to acquire (or acquire stakes in) complementary businesses and assets. Factors that will affect the success of any acquisitions will include the Group's ability to integrate or manage such acquisitions or to fund their exploitation. The Group may not be able to identify suitable opportunities for acquisitions, obtain necessary funding on acceptable terms to finance such acquisitions, or successfully integrate or exploit them. In addition, costs will be incurred in considering and pursuing acquisition opportunities. These matters could disrupt the Group's ongoing business, distract management and employees, increase expenses and materially and adversely affect the Group's business. Any future acquisitions could involve certain other risks, including the assumption of additional liabilities. If the Company issues equity securities in connection with any acquisitions, the existing Shareholders' percentage holding of shares in the Company would be reduced.

## **2. Risks relating to the Licences and the Chinese gaming industry**

### ***Changes in existing regulations and policies applicable to the industry***

The Group's operations in the PRC are subject to regulations and policies set by the PRC government. Regulations and policies relating to the Group's PRC businesses under the Framework Agreement, including the internet operation of online games, lottery agency sale business and poker tournament business and in China in general are still evolving, and it is possible that in future new regulations and policies may be introduced, or existing regulations and policies may be changed or interpreted differently, in a manner which is harmful to the Group's business. New regulation covering law enforcement, pricing, taxation, and quality of products and services could have a material impact on the Group's future operations, including as contemplated by the Cooperation Agreements, or the operations of its Gaming Investments and potential application of its Licences. Furthermore, the Group may be dependent, through its investments, on licences and contracts to distribute lottery products.

The rules and regulations on online gaming service market in China are relatively new and subject to interpretation, and their implementation involves uncertainty. The online poker market is particularly sensitive given the prohibition on gambling in the PRC. As at the date of this document, the Group has not sought or obtained approval to operate the specific online games it is hoping to manage, and there may be a risk it will fail to obtain the relevant approvals and permits.

### ***Compliance with PRC regulations on internet content***

The PRC government has adopted regulations governing internet access and the distribution of information over the internet. Under these regulations, internet content providers are prohibited from posting or displaying over the internet content that, among other things, violates PRC laws and regulations, impairs the national dignity of China, or is reactionary, obscene, superstitious, fraudulent or defamatory. Failure to comply with these requirements may result in the revocation of licences to provide internet content and other licences, and the closure of the websites concerned. The website operator may also be held liable for such censored information displayed on or linked to the websites. If any websites operated or to be operated by Sihai Geju, HLC or HPC are found to be in violation of any such requirements, it may be penalised by relevant authorities and the operations or reputation of Sihai Geju and the PCGE Group could be adversely affected.

### ***The Licences***

The Licences currently owned by Sihai Geju do not permit the Group to operate online poker games or online lottery agency sales since each imported online game product needs to be submitted to the Ministry of Culture for approval before it can be operated online, and each domestic online game product needs to be filed with the Ministry of Culture within 30 days of online operation. Online poker games in particular are very sensitive. Online lottery sales are also subject to additional special legal requirements including having a registered capital of at least RMB 50 million. Sihai Geju currently has a registered capital of RMB 15 million. As such, there is a risk that approval will not be given to operate the specific online poker games and lottery agency sales.

### ***Business licences***

Jingtuo and Sihai Geju, are required to maintain business licences or permits which are of limited duration and/or which are subject to annual inspections by the governing authorities in China. No guarantee can be given that they will pass such inspections or that they will be able to renew their business licences or permits at the appropriate times. If either of them loses its business licence or permit or fails to renew it upon expiry the operations and results of the Group could be materially adversely affected.

### ***The paid in capital of Sihai Geju***

The initial paid in capital of RMB 15,000,000 of Sihai Geju was withdrawn by the founders of Sihai Geju before the PRC Shareholders acquired Sihai Geju. As a result, even though the relevant public company search still shows Sihai Geju as having a paid in capital of RMB 15,000,000, Sihai Geju has

failed to maintain the financial status required for the business licences it holds. If the licences were challenged then this would have a material adverse effect on the Group's trading and financial performance. However, its licences have been renewed through the past years. According to the PRC law, the shareholders who withdrew the capital amount before the PRC Shareholders acquired Sihai Geju are obliged to repay the capital amount. Further, the PRC Shareholders might be required to assume joint liability hereof if the relevant creditor of Sihai Geju requested such repayment and it is proved that the PRC Shareholders have or should have known about the aforesaid matters.

#### ***The employees of Sihai Geju***

Under PRC laws, an operational internet cultural company is required to have eight or more business management staff and professional technicians who have obtained the corresponding qualifications required to meet the needs of internet cultural activities. If at any time Sihai Geju does not, or has failed to comply with these requirements (which has historically been the case) there is risk that government authority may challenge Sihai Geju's qualification for holding the Licences and/or impose a fine on Sihai Geju which could have a material adverse effect on the Group's trading and financial performance. The Company may not, at all material times, have had in place relevant documentation relating to the terms on which such individuals have been engaged. According to PRC Labour Contract Law last amended in 2012, a written labour contract should be put in place upon the establishment of an employment relationship. If an employer fails to conclude a written labour contract with an employee after the lapse of more than one month but less than one year as of the day after the commencement of the employment, it shall pay to the employee his or her monthly wages at double amount. If at any time Sihai Geju does not, or has failed to comply with these requirements (which has historically been the case), there is a risk that Sihai Geju will be liable to pay its employees double their monthly wages. If more than one year lapses from the date when the employee is employed, it will be deemed that Sihai Geju has entered into unfixed-time employment contracts with the employees.

According to the Social Insurance Law of the People's Republic of China promulgated in 2010 and which became effective in 2011, if an employer fails to withhold and pay their portion of social insurance contributions, it may be notified by the relevant authority to rectify the problem and pay the outstanding contributions within a stipulated deadline with an additional late payment at the daily rate of 0.05% of the cumulative outstanding amount per day, calculated from the date the relevant social insurance contribution amount became overdue until the date that full payment is made. If that payment is still not made by the deadline, the relevant authority may charge a fine of 1-3 times the amount of the social insurance premiums payable upon it. In addition, according to the Regulation on the Administration of Housing Accumulation Funds last amended in 2002, if the company fails to make deposit registration of the housing accumulation fund within a prescribed time limit upon order of housing accumulation fund management centre, it may be subject to a fine of up to RMB50,000. If Sihai Geju has not obtained its housing fund registration and made the applicable social insurance contribution and housing fund contribution for its employees (which has historically been the case), there is a risk that the government authority may impose such fines on Sihai Geju.

#### ***Sihai Geju's reliance on publishing companies for publishing self-developed games***

According to the Administrative Regulations on Publication promulgated by the State Council effective as of 1 February 2002 and the Administrative Regulations on Publications Market promulgated by General Administration of Press and Publication (the "GAPP") effective as of 1 September 2003 and amended on 16 June 2004, a Permit for Operating Publications is required for publication activities. Sihai Geju has not obtained such permit. Consequently, if Sihai Geju intends to publish and operate online games it develops, it will need to cooperate with a publishing company holding the Permit for Operating Publications. There may be a risk that Sihai Geju cannot find such a publishing company to publish the games it develops.

### ***Key relationships***

PCGE's business strategy depends, to an extent, on key relationships built with important regulatory officials and customers. There is no guarantee that such relationships will be maintained which could have a material adverse effect on the Group's trading and financial performance.

### ***Technology risk***

The Company's business strategy will be reliant on internet technology for its day-to-day operations. Any failure on its part to maintain these technological systems could result in significant material losses in the business. Failure to properly keep records, reward winners, or safeguard personal and payment information for its clients, could seriously damage the Group's reputation.

### ***Risks relating to the Framework Agreement***

The Framework Agreement contains certain obligations that the PRC shareholders in HPC and HLC are required to perform, including procuring that the transfer of the relevant 10 per cent. equity interest is completed in accordance with the terms of the Framework Agreement and to use all reasonable endeavours to procure that all legal, political, governmental and other requirements are satisfied with regard to the matters relevant to the exercise of the Option Right. There is a risk that such PRC shareholders will not honour such obligations, and, as such, no guarantee can be given that exercise of the Option Right will result in Sihai Geju obtaining the equity interest in HPC and HLC which could have a material adverse effect on the Group's trading and financial performance.

### ***Risks relating to the Cooperation Agreements***

The Cooperation Agreements contain obligations that HPC and HLC are required to perform, further details of which are set out in Part I and Part V of this document. In addition, both HPC and HLC are obliged to maintain the validity of their licences, permits and authorisations required for their businesses. There is no guarantee that HPC or HLC will honour such obligations, and, as such, there is a risk that the collaboration envisaged by the Cooperation Agreements will not be successful which could have a material adverse effect on the Group's trading and financial performance.

## **3. Risks specific to investments in the PRC**

### ***Emerging market risks***

The Group's Licences and business are based in the PRC. The economic structure, level of government involvement, level of development, growth rate, control of foreign exchange, capital reinvestment and allocation of resources may differ from those in other countries. Many rules and regulations implemented by the PRC Government may be subject to further refinements and amendments to enable the economic system to develop into a more sophisticated form. Rising inflation in the PRC may affect the Group's ability to obtain external financing and reduce its ability to implement its strategy. Any changes in the Chinese political, fiscal and legal systems such as, *inter alia*, changes in exchange rates, control regulations, expropriation of mineral rights, changes in government and in legislative and regulatory regimes, might affect the ownership or operation of the Group. The Directors can give no assurances that the PRC Government will not implement any additional measures to tighten external financing standards, or that, if any such measure is implemented, it will not adversely affect the Group's future financial performance.

### ***Judicial, administrative and regulatory issues***

Although the Company is incorporated under the laws of Gibraltar, substantially all of its operations are conducted through subsidiaries, organised under the laws of the PRC. PRC laws and regulations, as well as the interpretations and implementations thereof can change quickly and/or unpredictably. Foreign investors may be adversely affected by new laws, frequent changes to existing laws (or interpretations thereof) and pre-emption of provincial or local regulations by national laws or regulations. Moreover, the administrative and judicial interpretation, implementation and resolution of commercial disputes may be subject to the exercise of considerable discretion by both administrative and judicial bodies. In

addition, new or amended government policies and administrative rules may have a retroactive effect. As a result, the Company may not be aware of a violation of these policies and rules by a member of the Group until some time after the violation.

To the extent the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments with major economies such as the USA, the UK and Japan, it would be difficult for the Company to enforce in the PRC any judgments it obtained in a foreign court. These uncertainties could limit the legal protections available to the Group in the PRC.

Further, as a result of political changes, the interpretations of statutes and regulations may be subject to government policies. Such uncertainties may affect the Group's Licences and business and any future investments and, accordingly, its financial performance.

### ***Investment restrictions***

China has laws and regulations that, to varying degrees, preclude or restrict direct foreign investment in the securities of resident companies, limit the types of securities that foreigners may purchase, or limit foreign investors to special investment structures. Prior governmental approval for foreign investments in China will be required and the extent of foreign investment in domestic companies may be subject to limitation. Certain industries have been classified by administrative authorities in China as restricted or prohibited industries for foreign investment, and the list of those restricted and prohibited industries may change from time to time. Foreign ownership limitations also may be imposed by the charters of individual companies.

### ***Bankruptcy***

The enactment in August 2006 of China's new Bankruptcy Law expanded the scope of Chinese bankruptcy law from state-owned enterprises to include private companies, as well as giving priority to the rights of secured creditors in the foreclosure of secured assets. However, despite these advances, there can be no assurance regarding the implementation of the new Bankruptcy Law, and Chinese bankruptcy law remains underdeveloped as compared to the United States and other OECD-member countries. These factors, together with the lack of transparency in China's judicial system and local protectionism, may prevent the Company from accurately anticipating the outcome of any bankruptcy proceedings in China.

### ***M&A Rules***

On 8 August 2006, six PRC regulatory agencies, including the China Securities Regulatory Commission (the "CSRC"), promulgated the Rules on Mergers and Acquisition of Domestic Enterprises by Foreign Investors (the "M&A Rules") that became effective on 8 September 2006 ("Effective Date of the M&A Rules").

This regulation has a number of provisions which purport that an offshore special purpose vehicle formed for listing purposes and controlled directly or indirectly by PRC companies or individuals is required to obtain the approval of the CSRC prior to listing and trading of securities on an overseas stock exchange. The application of the new regulations to special purpose vehicles which have duly established foreign invested enterprises incorporated prior to the Effective Date of the M&A Rules to acquire PRC domestic enterprises is unclear.

The Shareholders of the Company are not PRC residents, The Company believes that it is not necessary to obtain approval from the CSRC in relation to Admission for the following reasons: (i) the Company is not considered to be controlled by PRC residents and (ii) neither the Company nor any member of its Group are considered to fall within the definition of "special purpose vehicle" under the M&A Rules.

### ***Mergers and acquisition review for national economic security purpose (the "Security Review")***

On 25 August 2011, the Ministry of Commerce (the "MOFCOM") promulgated Announcement No. 53 [2011] – Provisions of the Ministry of Commerce on the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "Announcement 53") which became effective on 1 September 2011 (the "Effective Date of Announcement 53").

Announcement 53 requires that it is the foreign investor's responsibility to apply for approval from the MOFCOM where the Security Review applies and whether a merger or acquisition is subject to the Security Review shall be determined from the substance and actual impact of the transaction. No foreign investor shall substantially evade the Security Review in any form, including but not limited to holding shares on behalf of others, trust, multi-level reinvestment, leases, loans, control by contractual arrangements and overseas transactions.

The Company's PRC lawyers have advised that the contracts for the Company's control over Sihai Geju are not subject to the Security Review because the VIE contractual arrangements between Jingtuo and Sihai Geju were formulated before the Effective Date of Announcement 53. However, as these rules are relatively new and there is lack of clear statutory interpretation on the implementation of the same, there is no assurance that the MOFCOM will take a view in the future that is not contrary to or otherwise different from the opinion stated above or that the MOFCOM or other government agencies, and there is no assurance these national security review-related rules will not be applied to the business of the Group or its future acquired businesses if such businesses are deemed to be in an industry that raises "national defense and security" or "national security" concerns.

***The negative effect arising from the uncertainty of the M&A Rules and the Security Review in relation to future investments involved in the restructuring process in the PRC***

Under the M&A Rules and the Security Review, there are stringent requirements in relation to restructuring a PRC domestic enterprise to a FIE for overseas financing and listing purposes.

The Company may invest in domestic PRC companies after first restructuring them into FIEs. Such restructuring may be subject to the approval of the Ministry of Commerce of the PRC, its local branches and other PRC regulatory authorities. There is a possibility that the Company or the investee company may not be able to satisfy all the regulatory requirements under PRC law and regulations. The approval process of restructuring is not only time-consuming but also presents opportunities for the authorities to scrutinise investment projects. Meanwhile, various specific PRC legal requirements (such as asset appraisal and SAFE registration) may also apply to the restructuring process and may add further complexities and variables to the process.

Even where the proposed restructuring appears feasible under current PRC law and regulations, the number of elements, such as the size, locality, approval level, industry, complexity, and sensitivity involved in the restructuring can significantly affect and lengthen the approval period. The uncertainty involved in the restructuring process may restrict the Group's ability to secure new projects which could have a material adverse effect on its future business operations.

***Recent PRC regulations relating to the establishment of offshore special purpose companies by PRC residents***

On 4 July 2014, SAFE promulgated the Circular Regarding Foreign Exchange Control for Overseas Investment and Financing and Offshore-Domestic Investments by Domestic Residents through Special Purpose Vehicles ("Circular 37"), which repealed the previous Circular Regarding Foreign Exchange Control for Fundraising and Offshore-Domestic Investments by Domestic Residents through Overseas Special Purpose Vehicles ("Circular 75") issued by SAFE on 21 October 2005. Circular 37, subject to the rules therein, allows a PRC domestic enterprise or a PRC natural person ("PRC Resident") to transfer their domestic or overseas assets or interest to a foreign special purpose vehicle ("SPV"). The definition of PRC natural person covers PRC citizens and certain foreign individuals who do not hold PRC legal identification but have been habitually resident in the PRC due to economic benefits. Circular 37 requires PRC Residents to register with the local SAFE branch before contributing to the SPVs with their domestic or overseas assets or interests (the "Circular 37 Initial Registration"). According to Circular 37, PRC Residents are under continuing obligation to modify the Circular 37 Initial Registration after basic information changes including but not limited to the individual PRC Resident's name, business term, or material changes including but not limited to individual PRC Resident's capital increase, capital reduction, equity transfer or alterations of share capital, merger or division (the "Circular 37 Amendment Registration", the Circular 37 Initial Registration and the Circular 37 Amendment Registration are collectively referred to as the "Circular 37 Registration").

As none of the shareholders, controllers or beneficial owners of the Company fall into the ambit of the PRC residents as stipulated in SAFE Circular 37, the Company believes Circular 37 is not applicable and no SPV Registrations are required for any shareholders, controllers or beneficial owners of the Company or because the Company is not directly or indirectly held or controlled by a PRC resident within the meaning of Circular 37.

#### ***Protection of intellectual property rights***

Jingtuo and Sihai Geju, may rely on intellectual property laws in China to protect their copyright, trademark and brands. There is some risk that counterfeiting or imitation could occur and any intellectual property disputes could have a materially adverse economic effect on Group.

#### ***Bribery***

It is generally recognised that bribery is more prevalent in emerging markets. The Group has put in place operational procedures to manage the potential issues that could arise under the UK Bribery Act 2010 but there can be no guarantee that the employees of the Group or its other associates or investments will abide by these procedures and, as such, the Group, its Directors and employees of the Group could be exposed to criticism or prosecution under the UK Bribery Act 2010 or equivalent local legislation.

#### ***Foreign exchange risk***

Foreign exchange transactions (including the repatriation of investment returns and capital) continue to be subject to foreign exchange controls imposed by the SAFE as the RMB is not freely convertible to other foreign currencies. The external value of the RMB is subject to policy changes of the Chinese government. Whilst the RMB exchange rate regime is a managed floating rate based on market supply and demand with reference to a basket of currencies, the People's Bank of China has the authority to periodically adjust the RMB exchange rate band which can cause significant fluctuations to the exchange rates. In addition financial markets in many Asian countries have a tendency to be more volatile and certain currencies have been subject to significant devaluation in the past.

Currently no Chinese government approval is required to repatriate profits and dividends out of China to foreign shareholders. Capital may also be repatriated after a capital decrease has been approved by the relevant authorities. However, there is the risk that in the event any investee company fails to obtain such approval, capital will not be repatriated. In addition, any relaxation or abolition of exchange controls may give rise to capital outflows from China which could, among other things, adversely affect the strength of the RMB and the availability and cost of funding in China and could give rise to higher interest rates, thereby adversely affecting the Chinese economy and correspondingly adversely affecting investee companies.

## **4. Legal, tax and regulatory risks**

#### ***Ownership structure***

The Group has grown its operations in China through the use of control agreements, known as a Variable Interest Equity (VIE) structure. This is a result of Chinese restrictions on foreign ownership of value-added telecommunication and internet information service businesses (and a number of other sectors) and VIE structures have become common place for foreign ownership of internet businesses. Under a VIE structure, PCGE conducts its operations through contractual arrangements. In practice this means that its Chinese operations function like normal wholly owned subsidiaries of a holding company, with the one exception of direct legal ownership.

The Group has control agreements in place through its wholly owned subsidiary Jingtuo. It has a business operation agreement in place under which it is entitled to direct and supervise all business operation activities of Sihai Geju, and also provides technology support services for a service fee equal to 90 per cent. of Sihai Geju's turnover. Jingtuo has also been appointed as attorney for the PRC Shareholders to vote on their behalf in their capacity as shareholders of Sihai Geju. In addition, the PRC Shareholders have legally pledged their entire equity interest in Sihai Geju to Jingtuo. The PRC

Shareholders have also granted to Jingtuo an exclusive call option to acquire all or part of the share equity interest in Sihai Geju to the extent PRC laws and local policies may permit in the future.

The Company believes that the contractual arrangements in relation to Sihai Geju, do not violate, breach, contravene or otherwise conflict with any applicable compulsory PRC laws, rules or regulations and are legally binding on the contractual parties under PRC law. However, due to the uncertainties regarding the interpretation and enforcement of PRC laws, rules and regulations, including but not limited to the laws, rules and regulations with respect to the validity and enforcement of the contractual arrangements, the PRC regulatory authorities may determine otherwise.

If the contractual arrangements of the Group in relation to Sihai Geju are found to be in violation of any existing or future PRC laws, rules or regulations, results of the Group could be materially adversely affected.

### ***Litigation and claims***

Legal proceedings, with or without merit, may arise from time to time in the course of the Group's business. The Directors cannot preclude litigation being brought against the Group and any litigation brought against the Group could have a material adverse effect on the financial condition, results or operations of the Group. The Group's business may be materially adversely affected if the Group and/or its employees, consultants, contractors or agents are found not to have met the appropriate standard of care or exercised their discretion or authority in a prudent or appropriate manner in accordance with accepted standards. The Group only maintains a directors' and officers' insurance policy and without further appropriate insurance, the Group is not covered for its financial obligations in the event that legal proceedings or claims are brought against the Group, potentially exposing the Group to significant costs. It is the Group's intention to take out appropriate insurance policies for the Group depending on the activities of the Group from time to time. Even if the Group maintains insurance in respect of such risks, there is no guarantee that any insurance in place will cover all, or any part, of any liability incurred by the Group in any such circumstances.

### ***Risk of damage to reputation and negative publicity***

The Company's ability to attract further investment and new business is dependent on the Group maintaining a good reputation. The Group is vulnerable to adverse market perception as it operates in an industry where a high level of integrity and trust is paramount. Any perceived, actual or alleged mismanagement, fraud or failure to satisfy the Group's responsibilities, or the negative publicity resulting from such activities or the allegation by a third party of such activities (whether well founded or not) associated with the Group, could have a material adverse effect on the financial condition, results or operations of the Group. In addition, following the downturn in the equity markets and the resulting heightened consumer and media interest in the financial services industry, any future negative publicity associated with the business or operations of the Group (whether well founded or not) could result in reputational damage and could have a material adverse effect on the financial condition, results or operations of the Group.

### ***Tax uncertainty***

Tax laws and regulations are under constant development and often subject to change as a result of changing government policy. Such changes may occur without sufficient warning. Implementation of various taxes may affect consumption in certain sectors. There is a risk that changes in tax policy and regulations may adversely affect the demand for certain products or services of the Group's investments.

### ***Tax and residency***

Since incorporation the Company has been managed and controlled from outside the United Kingdom and it is anticipated that it will continue to be managed and controlled from outside the United Kingdom. It is anticipated that it will be considered to be resident outside the United Kingdom for tax purposes. However, the location of the management and control of the Company may change in the future and/or may be questioned by applicable tax authorities, either of which may affect the Company's

tax residency and therefore the Company's tax position. The actual taxation status of the Group is dependent on the activities of the Group going forward.

***Economic, political, judicial, administrative, taxation or other regulatory factors***

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors in the areas in which the Group may invest and hold its assets, as well as other unforeseen matters.

**5. Investment and AIM related risks**

***Investment in AIM Securities***

The Ordinary Shares will be traded on AIM. AIM is a market designed primarily for emerging or smaller companies. The rules of this market are less demanding than those of the Official List. Investments in shares quoted on AIM are highly speculative and carry a higher degree of risk than investments in shares quoted on the Official List. Neither the London Stock Exchange nor the UKLA have examined this document for the purposes of Admission.

An investment in the Ordinary Shares may be difficult to realise and the price at which the Ordinary Shares will be traded and the price at which investors may realise their investment will be influenced by a large number of factors, some specific to the Group and its operations and some which may affect quoted companies generally.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. The market for shares in smaller public companies, such as the Company, is less liquid than for larger public companies. The Group is aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. Consequently, the share price may be subject to greater fluctuation on small volumes of shares, and thus the Ordinary Shares may be difficult to sell at a particular price. The value of the Ordinary Shares may go down as well as up. Investors may therefore realise less than their original investment or sustain a total loss of their investment. Equally, the Group may not be able to control when large numbers of Ordinary Shares may be sold after Admission and any such sales could result in a material fall in the price of the Ordinary Shares.

***Investment in the Warrants***

The Warrants will not be admitted to trading on AIM or any other recognised exchange and therefore they will be an illiquid investment. Please note the restrictions in respect of the exercise of the Warrants referred to in Part IV.

***No prior public trading***

Prior to Admission there has been no public market for the Ordinary Shares. The Issue Price has been agreed between the Broker and the Company and may not be indicative of the market price for the Ordinary Shares following Admission. The Company can give no assurance that an active trading market for the Ordinary Shares will develop or be maintained following Admission. If an active trading market is not developed or maintained, the liquidity and market price of the Ordinary Shares could be adversely affected.

***Taxation***

Part V of this document contains a summary of certain current UK and Gibraltar tax legislation, practice and concession and interpretation thereof. Any change in the Company's tax status or in taxation legislation could affect the Company's ability to provide returns to Shareholders or alter post tax returns to Shareholders. Furthermore, any change in the rates, manner or interpretation of taxation in overseas jurisdictions including any country in which the Company makes investments and to which members of the Group will be subject, may adversely affect the Group. Statements in this document concerning the taxation of investors in Issue Shares and/or Warrants are based on current tax law and practice which is subject to change.

### ***Ordinary Shares available for future sale***

The Company is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following termination of the lock-in and orderly market restrictions. Any sales of substantial amounts of Ordinary Shares in the public markets or the perception that such sales might occur could materially adversely affect the market price of the Ordinary Shares.

### ***Dilution of shareholders' interest as a result of additional equity fundraising***

The Group may need to raise additional funds in the future to finance, amongst other things, working capital, expansion of the business, new developments relating to existing operations or new acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a *pro rata* basis to existing Shareholders, the percentage ownership of the existing Shareholders may be reduced. Shareholders may also experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. The Company may also issue shares as consideration shares on acquisitions or investments which would also dilute Shareholders' respective shareholdings.

### ***Pre-emption rights***

There are no pre-emption rights under the Gibraltar Act or incorporated into the Articles, as further described in paragraph 8.15 of Part V of this document. Shareholders could be diluted without a requirement to obtain Shareholder approval for any such issue.

### ***Forward looking statements***

Certain statements within this document, including those contained in Part I of this document, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, competition, changes in development plans and the other risks described in this Part II. There can be no assurance that the results and events contemplated by the forward looking statements contained in this document will, in fact, occur. These forward looking statements are correct only as at the date of this document. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstances or unanticipated events occurring after the date of this document except as required by law or by regulatory authority.

### ***Dividends***

The Company has not paid dividends to date and the nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. There can be no assurance as to the level of future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends to the discretion of the Directors, and will depend upon, amongst other things, the Company's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

Although the Board intends to pay dividends to Shareholders in the future in line with its dividend policy as further detailed in paragraph 12 of Part I of this document, there can be no assurance that the Company will declare and pay, or have the ability to declare and pay, any dividends in the future.

### ***City Code***

The City Code will not apply to the Company as further described in Part I and Part V of this document, and therefore any takeover of the Company will be unregulated by UK takeover authorities. Shareholders may not therefore be afforded the protections of the City Code as they might have been if they were shareholders in a company where a takeover is regulated by the Takeover Panel.

The Company is governed by the Gibraltar legislation which regulates the takeover of Gibraltar registered public companies. The Companies (Cross-Border Mergers) Regulations 2010 transpose Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies into the law of Gibraltar. These regulations are designed to facilitate cross-border mergers of limited liability companies and to allow for cross-border merger of a national limited liability company with a limited liability company of another member state. Takeovers of a Gibraltar registered public company can also take place via a scheme of arrangement pursuant to sections 295 to 352 of the Gibraltar Act.

#### ***Disclosure Rules and Transparency Rules***

As the Company is incorporated in Gibraltar, Shareholders are not obliged to disclose their interests in the Company in the same way as shareholders of certain companies incorporated under English law and regulation, specifically the Disclosure Rules and Transparency Rules. In particular, the relevant provisions of chapter 5 of the Disclosure Rules and Transparency Rules do not apply. However, the Articles contain provisions requiring the disclosure of voting rights in Ordinary Shares which are similar to the provisions of the Disclosure Rules and Transparency Rules. Article 70 of the Articles requires that Shareholders comply with Rule 17 of the AIM Rules for Companies, but this may not always ensure compliance with the requirements of Rule 17 of the AIM Rules for Companies. Furthermore, the Articles may be amended by a resolution of the Shareholders.

#### ***Gibraltar company law***

The Company is a company incorporated in Gibraltar. As a result, the rights of the Shareholders will be governed by the laws of Gibraltar and the Memorandum and Articles of the Company and not by UK company law.

#### ***Suitability***

The investment described in this document may not be suitable for all those who receive it. Before making a decision investors who are in any doubt are advised to consult their stockbroker, bank manager, solicitor or accountant or any other professional adviser authorised under FSMA who specialises in advising on the acquisition of shares or other securities in the United Kingdom.

Investors should therefore consider carefully whether an investment in the Company is suitable for them in the light of the risk factors outlined above, their personal circumstances and the financial resources available to them.

**The risks listed above do not necessarily comprise all those faced by the Group and are not intended to be presented in any order of priority.**

**PART III**  
**FINANCIAL INFORMATION**

**SECTION A: ACCOUNTANTS' REPORT ON THE COMBINED HISTORICAL FINANCIAL INFORMATION OF THE PCGE GROUP**

**Nexia Smith & Williamson**

The Directors  
PCG Entertainment Plc  
G1 Haven Court  
5 Library Ramp  
Gibraltar

The Directors  
Sanlam Securities UK Limited  
10 King William Street  
London  
EC4N 7TW

28 November 2014

Dear Sirs

**PCG Entertainment Plc (the “Company” or “PCGE”) and its subsidiary undertakings (together, the “Group” or “PCGE”)**

We report on the combined historic financial information of the Group for the periods ended 30 June 2013 and 30 June 2014 and the years ended 31 December 2011, 31 December 2012 and 31 December, 2013 (the “Combined Historic Financial Information”) set out on pages 44 to 63 of this document. This Combined Historic Financial Information has been prepared for inclusion in the AIM Admission Document dated 28 November 2014 (the “Admission Document”) of the Company on the basis of the accounting policies set out in Note 1 to the Combined Historic Financial Information. This report is required by Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that schedule and for no other purpose. Save for any responsibility arising under Schedule Two of the AIM Rules for Companies to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules for Companies, consenting to its inclusion in the Admission Document.

**Responsibilities**

The Directors of the Company are responsible for preparing the Combined Historic Financial Information on the basis of preparation as contained within the accounting policies set out in Note 1 to the Combined Historical Financial Information.

It is our responsibility to form an opinion on the Combined Historical Financial Information as to whether the Combined Historical Financial Information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

**Basis of opinion**

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence

relevant to the amounts and disclosures in the Combined Historical Financial Information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Combined Historical Financial Information and whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Combined Historical Financial Information is free from material misstatement whether caused by fraud, other irregularity or error.

### **Opinion**

In our opinion, the Combined Historical Financial Information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at the dates stated and of its results, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in Note 1 to the Combined Historical Financial Information.

### **Declaration**

For the purposes of Schedule Two of the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules for Companies.

Yours faithfully

### **Nexia Smith & Williamson**

*Chartered Accountants*

Registered Auditors

25 Moorgate

London EC2R 6AY

## SECTION B: COMBINED HISTORICAL FINANCIAL INFORMATION OF THE PCGE GROUP

### COMBINED INCOME STATEMENTS

	Notes	Year ended 31 December 2011 US\$'000	Year ended 31 December 2012 US\$'000	Year ended 31 December 2013 US\$'000	6 months ended 30 June 2013 US\$'000	6 months ended 30 June 2014 US\$'000
<b>Continuing operations:</b>						
<b>Revenue</b>	1,3	—	—	—	—	2
Administrative expenses		—	(83)	(5,407)	(343)	(108)
<b>Loss before exceptional items</b>		—	(83)	(5,407)	(343)	(106)
<b>Admission costs</b>		—	—	—	—	(252)
<b>Loss before taxation</b>	4	—	(83)	(5,407)	(343)	(358)
Taxation	6	—	—	—	—	—
<b>Loss for the financial period</b>		—	(83)	(5,407)	(343)	(358)
<b>Attributable to:</b>						
Equity holders of the Company		—	(83)	(5,407)	(343)	(358)
Non-controlling interest		—	—	—	—	—
		—	(83)	(5,407)	(343)	(358)

## COMBINED STATEMENT OF CHANGES IN EQUITY

	Share capital US\$'000	Additional paid in capital US\$'000	Foreign currency translation reserve US\$'000	Combination reserve US\$'000	Retained earnings US\$'000	Total US\$'000
<b>Balance at 1 January 2011 and 2012</b>	4	871	—	5,040	(2,416)	3,499
Comprehensive loss for the financial year	—	—	—	—	(83)	(83)
	4	871	—	5,040	(2,499)	3,416
Exchange differences on translation of foreign operations	—	—	38	—	—	38
Combination reserve	—	—	—	128	—	128
<b>Balance at 31 December, 2012</b>	4	871	38	5,168	(2,499)	3,582
Comprehensive loss for the financial year	—	—	—	—	(5,407)	(5,407)
	4	871	38	5,168	(7,906)	(1,825)
Exchange differences on translation of foreign operations	—	—	(84)	—	—	(84)
Issue of share capital	1,219	3,657	—	—	—	4,876
Combination reserve	—	—	—	61	—	61
<b>Balance at 31 December, 2013</b>	1,223	4,528	(46)	5,229	(7,906)	3,028
Comprehensive loss for the financial period	—	—	—	—	(358)	(358)
Combination reserve	—	—	—	(19)	—	(19)
Exchange differences on translation of foreign operations	—	—	20	—	—	20
<b>Balance at 30 June, 2014</b>	1,223	4,528	(26)	5,210	(8,264)	2,671

## COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	31 December 2011 US\$'000	31 December 2012 US\$'000	31 December 2013 US\$'000	30 June 2014 US\$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	7	15	14	13	12
Investment in licences	7	3,500	3,500	3,500	3,500
<b>Total non-current assets</b>		<b>3,515</b>	<b>3,514</b>	<b>3,513</b>	<b>3,512</b>
<b>Current assets</b>					
Trade and other receivables	8	72	119	18	21
Cash and cash equivalents		—	158	45	538
<b>Total current assets</b>		<b>72</b>	<b>277</b>	<b>63</b>	<b>559</b>
<b>TOTAL ASSETS</b>		<b>3,587</b>	<b>3,791</b>	<b>3,576</b>	<b>4,071</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	9	4	4	1,223	1,223
Additional paid in capital		871	871	4,528	4,528
Combination reserve		5,040	5,168	5,229	5,210
Foreign currency translation reserve		—	38	(46)	(26)
Retained earnings		(2,416)	(2,499)	(7,906)	(8,264)
<b>Total equity attributable to equity holdings of the Company</b>		<b>3,499</b>	<b>3,582</b>	<b>3,028</b>	<b>2,671</b>
<b>Current liabilities</b>					
Borrowings	13	—	—	—	700
Trade and other payables	12	88	209	548	700
<b>Total liabilities</b>		<b>88</b>	<b>209</b>	<b>548</b>	<b>1,400</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,587</b>	<b>3,791</b>	<b>3,576</b>	<b>4,071</b>

## COMBINED CASH FLOW STATEMENTS

	Notes	Year ended 31 December 2011 US\$'000	Year ended 31 December 2012 US\$'000	Year ended 31 December 2013 US\$'000	6 months ended 30 June 2013 US\$'000	6 months ended 30 June 2014 US\$'000
<b>Cash flow from operating activities</b>	14	15	7	(113)	(154)	(207)
<b>Cash flow from investing activities</b>						
Purchase of property, plant and equipment		(15)	—	—	—	—
<b>Net cash outflow from investing activities</b>		(15)	—	—	—	—
<b>Cash flow from financing activities</b>						
Borrowings		—	—	—	—	700
Shares issued in subsidiary		—	151	—	—	—
<b>Net cash inflow from financing activities</b>		—	151	—	—	700
<b>Net increase/(decrease) in cash and cash equivalents</b>		—	158	(113)	(154)	493
Cash and cash equivalents at beginning of the period		—	—	158	158	45
<b>Cash and cash equivalents at the end of the period</b>		—	158	45	4	538

## **1. Accounting policies**

The principal accounting policies adopted by the Group in the preparation of its Combined Historical Financial Information for the period ended 30 June 2014 and its comparatives for the period ended 30 June 2013 and the year ended 31 December 2013 with comparatives for the years ended 31 December 2012 and 2011 as disclosed in the Accountants' Report within the Admission Document, are set out below. The accounting policies have been consistently applied, unless otherwise stated.

### **General information**

PCGE Entertainment Plc ("PCGE") is incorporated in Gibraltar. The registered office is G1 Haven Court, 5 Library Ramp, Gibraltar. PCGE has direct subsidiaries and affiliated companies in China, where its holding is held through the requisite Chinese structure for foreign investors.

PCGE has a direct 100% holding in its subsidiary Hong Kong Strategic Services ("HKSS") which is incorporated in Hong Kong. The registered office is Rooms 1009-1012, 10/F., K. Wah Centre, 191 Java Road, North Point, Hong Kong SAR. HKSS has a direct 100% holding in its subsidiary Jingtuo World Technology Consulting (Beijing) Limited ("WFOE") which is a specialised vehicle to enable PCGE to invest via a Variable Interest Entity ("VIE") arrangement in Beijing Sihai Geju Culture Media Co Ltd ("Sihai Geju"). The WFOE and Sihai Geju are both incorporated in the People's Republic of China ("PRC" or "China"). Their respective registered offices are: Room B151, No. 1009, 9th Floor, Building 19, North Road of East Third Ring, Chaoyang District, Beijing and Room 702, Unite 1, 6th Floor, No. 15 Xiaguangli, Chaoyang District, Beijing.

PCGE, its subsidiaries and affiliated companies are collectively referred to as the PCGE Group. The business of the group is activities relating to various forms of gaming in the PRC.

### *Basis of preparation*

The Combined Historical Financial Information for the six months ended 30 June 2013 and 2014, and the three years ended 31 December 2013 has been prepared, on a pro forma basis, as if the Group had existed throughout the period of the Combined Historical Financial Information, solely for the purposes of the Admission Document and does not constitute audited statutory accounts (the "Combined Historical Financial Information").

PCGE acquired the entire issued share capital of HKSS on 20 December 2013. WFOE was acquired by HKSS shortly after its incorporation in May 2012. Sihai Geju has effectively been controlled through a number of VIE arrangements.

Accordingly, the Combined Historical Financial Information, which has been prepared specifically by the Directors for the purposes of the Admission Document in accordance with the AIM Rules for Companies and in accordance with this basis of preparation, is prepared on the basis that combines the historic financial information of the Company, PCGE, HKSS, WFOE and Sihai Geju for the three years ended 31 December 2013.

For the year end 31 December 2011 only Sihai Geju was legally in existence and consequently the results for this year and as at that date constitute those for Sihai Geju only. The initial paid in capital of Sahai Geju of RMB15,000,000 was removed by the founders of Sihai Geju before the PRC Shareholders acquired the company.

The share capital reported in the combined balance sheets is that of the Company with a combination reserve created to account for the difference between the cost of the acquisition and the fair value of the assets acquired by Company when it acquired HKSS, WFOE and Sihai Geju.

Internal transactions within the Group have been eliminated on combination.

The above approach is consistent with the conventions contained with the Annexure to the Standards for Investment Reporting 2000 – Investment Reporting Standards Applicable to Public Reporting Engagements on Historical Financial Information, issued by the United Kingdom Auditing Practices Board ("SIR 2000").

The Combined Historical Financial Information is prepared in accordance with International Financial Reporting Standards (“IFRS”) as adopted for use in the European Union (EU) except in respect of the following matters:

- the Combined Historical Financial Information does not comply with IAS27 – Consolidated and Separate Financial Statements – because, as explained above, prior to the dates of the acquisitions the Company did not control HKSS, WFOE and Sihai Geju and consequently the Company is not permitted by IAS27 to present consolidated financial information. The Combined Historical Financial Information has therefore been prepared on a combined basis by applying the principles underlying the consolidation procedures of IAS27 and the conventions contained within the Annexure to SIR 2000;
- as the Combined Historical Financial Information has been prepared on a combined basis the Company is unable to measure earnings per share. Accordingly the requirement of IAS 33 – Earnings per Share – to disclose earnings per share, has not been complied with; and
- the Combined Historical Financial Information does not constitute a set of general purpose financial statements under paragraph 3 of IFRS 1, “First-time Adoption of International Financial Reporting Standards” and consequently the Company does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 16 of IAS 1, “Presentation of Financial Statements”. A company is only permitted to apply the first-time adoption rules of IFRS 1 in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made here, the Combined Historical Financial Information has been prepared as if the date of transition to IFRS was from the transition date, that being 1 January 2011, the beginning of the first period presented, and the requirements of IFRS 1 have been applied since that date. In other respects IFRS as adopted by the EU have been applied.

The Combined Historical Financial Information has been prepared under the historical cost convention, except as disclosed in the accounting policies below.

#### *Going concern*

The Group reported an operating loss for the six months ended 30 June 2014. The Directors have reviewed subsequent fundraisings and projected cash flows and consider that the Group will have adequate resources to meet its liabilities as they fall due for a period of at least twelve months from the date of approval of this Combined Historical Financial Information. Accordingly, they consider it appropriate to continue to prepare the Combined Historical Financial Information on a going concern basis.

#### *IFRS effective and not adopted early by the Group*

##### *Standards, interpretations and amendments to published standards that are not yet effective*

The following standards and interpretations issued by the IASB or IFRSIC have not been adopted by the Group as they were not effective for the six months ended 30 June 2014. The Group is currently assessing the impact of these standards and interpretations will have on the presentation of, and recognition in, its consolidated results in future periods.

- IFRS 9 — Financial Instruments (effective for accounting periods beginning on or after 1 January 2015). IFRS 9 has not yet been endorsed for use in the EU.
- Amendment to IAS 19 — Defined Benefit Plans: Employee Contributions (effective for accounting periods beginning on or after 1 July 2014). This amendment has not yet been endorsed for use in the EU.
- IFRS 14 – Regulated Deferral Accounts (effective for accounting periods beginning on or after 1 January 2016). IFRS14 has not yet been endorsed for use in the EU.
- Amendments to IAS16 – Property, Plant and equipment and IAS38 Intangible Assets: Clarification of Acceptable Methods of Depreciation and Amortisation (effective for accounting

periods beginning on or after 1 January 2016). These amendments have not yet been endorsed for use in the EU.

- Amendment to IFRS11: Acquisition of an Interest in a Joint Operation (effective for accounting periods beginning on or after 1 January 2016). This amendment has not yet been endorsed for use in the EU.
- Amendments to IAS27 – Separate Financial Statements (effective 1 January 2016). These amendments have not yet been endorsed for use in the EU.
- IFRS15- Revenue from Contracts with Customers (effective 1 January 2017). IFRS15 has not yet been endorsed for use in the EU.
- IFRS 9 – Financial Instruments (effective 1 January 2018). IFRS9 has not yet been endorsed for use in the EU.

### *Basis of combination*

The Combined Historical Financial Information combines the financial information of the Company and its subsidiary undertakings drawn up to 30 June 2013, 30 June 2014, 31 December 2011, 31 December 2012 and 31 December 2013.

The historic financial information of entities treated as subsidiaries have been combined using consistent accounting policies.

Subsidiaries are entities over which the Group has power to govern the financial and operating policies, generally accompanied by a share of more than 50 per cent. of the voting rights. All inter-company balances have been eliminated in the Combined Historical Financial Information.

The individual financial information of each group entity is measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The Combined Historical Financial Information of the PCGE Group is presented in United States Dollars (“US\$”), which is the presentation currency for the Combined Historical Financial Information. All financial information is presented in US\$.

The functional currency of each of the group entities is:

HKSS – HK\$

WFOE – RMB

Sihai Geju – RMB

### *Revenue recognition*

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable in accordance with the PCGE Group’s principal activities, net of VAT and trade discounts.

### *Intangible assets*

Intangible assets consist of licences and are recognised as an intangible asset in accordance with the provision of IAS 38 “Intangible Assets”. Capitalised development expenditure is deemed cost, being the fair value at 1st January 2011, as assessed by the directors, less accumulated amortisation and impairment losses. Amortisation of these assets is charged to the income statement on a straight-line basis over the expected useful economic life of the asset. Amortisation is charged against assets from the date at which the asset becomes available for use on the following bases:

Licenses	straight line	20 years
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Where no intangible asset can be recognised, development expenditure is treated as expenditure in the period in which it is incurred.

### *Property, plant and equipment*

Property, plant and equipment are stated at cost less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Depreciation is charged so as to write off the cost, less estimated residual value on assets other than land, over their estimated useful lives, using the reducing balance method, on the following bases:

Buildings	straight line	20 years
Machinery & equipment	straight line	3-10 years
Motor vehicles	straight line	5 years
Renovation	straight line	5 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the asset. These are included in the combined statements of comprehensive income.

The carrying values of property, plant and equipment are reviewed for impairment annually and when events or changes in circumstances indicate that the carrying value may be impaired. Any impairment is taken direct to the income statement.

#### *Impairment of non-financial assets*

At each balance sheet date, the directors review the carrying amounts of the Group's tangible and intangible assets 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.

#### *Foreign currency translation*

The presentational currency for the Group's Combined Historical Financial Information is United States dollars and it is this currency in which the Group reports. Foreign currency transactions by Group companies are recorded in their functional currencies at the exchange rate at the date of the transaction. Monetary assets and liabilities have been translated at rates in effect at the balance sheet date, with any exchange adjustments being charged or credited to the income statement.

On combination the assets and liabilities of the subsidiary companies with non-United States Dollars functional currency are translated into the Group's presentational currency at the exchange rate at the balance sheet date and the income and expenditure account items are translated at the average rate for the period.

For the purpose of foreign currency translation, the net investment in a subsidiary is determined inclusive of foreign currency intercompany balances for which settlement is neither planned nor likely to occur in the foreseeable future.

In the cash flow statement, cash flows denominated in foreign currencies are translated into the presentational currency of the Group at the average exchange rate for the year or at the prevailing rate at the time of the transaction where more appropriate.

#### *Financial instruments*

Financial assets and financial liabilities are recognised on the balance sheet when the Group becomes a party to the contractual provisions of the instrument.

#### *Trade and other receivables*

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the combined statement of comprehensive income when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

#### *Trade and other payables*

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost using the effective interest rate method.

### *Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

### *Financial liabilities and equity*

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

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the PCGE Group after deducting all of its liabilities.

### *Taxation*

The taxation ('tax') expense represents the sum of the tax currently payable and deferred tax.

### *Current tax*

Current tax for each taxable entity in the Group is based on the local taxable income at the local statutory tax rate enacted or substantively enacted at the balance sheet date and includes adjustments to tax payable or recoverable in respect of previous periods.

### *Deferred tax*

Deferred taxation is calculated using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Combined Historical Financial Information. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates and laws that have been enacted (or substantially enacted) by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax liabilities are provided in full.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

### *Equity*

Equity comprises the following:

- "Share capital" represents amounts subscribed for shares at nominal value.
- "Additional paid in capital" represents amounts subscribed for share capital in excess of nominal value.
- "Retained earnings" represents the accumulated profits and losses attributable to equity shareholders.
- "Foreign exchange translation reserve" represents the exchange differences arising from the translation of the financial statements of the subsidiary companies into the Group's presentational currency and the translation at the closing rate of the net investment in the subsidiaries.
- "Combination reserve" represents amounts arising from the difference between the cost of the acquisition and the fair value of the assets acquired by Company when it acquired HKSS, WFOE and Sihai Geju.

#### *Foreign currency transaction and translation*

Monetary assets and liabilities denominated in foreign currencies in each company are translated at the rates of exchange prevailing at the accounting date. Transactions in foreign currencies are translated at the rate prevailing at the date of transaction.

On revenues, costs and cash flows of undertakings abroad are included in the PCGE Group combined statement of comprehensive income at average rates of exchange for the year. The assets and liabilities denominated in foreign currencies are translated into US\$ using rates of exchange ruling at the date of the combined statement of financial position.

Exchange differences on the re-translation of opening net assets and results for the year of foreign subsidiary undertakings are dealt with through reserves net of differences on related foreign currency borrowings. Other gains and losses arising from foreign currency transactions, including trading, are included in the combined statement of comprehensive income.

#### *Critical accounting judgements and key sources of estimation uncertainty*

In the application of the PCGE Group's accounting policies, which are described above, management made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

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

#### *Critical judgements in applying the entity's accounting policies*

The following are the critical judgements, apart from those involving estimations (see below) that management has made in the process of applying the PCGE Group's accounting policies and which have the significant effect on the amounts recognised in the Combined Historical Financial Information.

#### *Impairment of financial assets*

The PCGE Group follows the guidance of IAS 39 – Financial Instruments: Recognition and Measurement, in determining whether a financial asset is impaired. This determination requires significant judgement, the PCGE Group evaluates, among other factors, the duration and extent to which the fair value of a financial asset is less than its cost and the financial health of and near-term business outlook for the financial asset, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

#### *Deferred tax assets*

Deferred tax assets are recognised to the extent that it is probable that the taxable profit will be available against which the deferred tax asset recognised can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future tax planning strategies. PCGE Group's has not recognised any deductible temporary differences as at 31 December 2011, 2012 and 2013, and 30 June 2014. In the future management will form a view on any deferred tax assets which are considered to be fully recoverable based on anticipated future profitability of the PCGE Group.

#### *Carrying value of intangible assets*

The PCGE Group follows IAS36 – Impairment of Assets, in determining whether an intangible asset is impaired. The determination of the recoverable amount requires significant judgement where it is to be supported by the value in use.

### *Key sources of estimation uncertainty*

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

### *Allowance for trade and other receivables*

Management reviews its loans and receivables for objective evidence of impairment at least quarterly. Significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments are considered objective evidence that a receivable is impaired. In determining this, management makes judgment as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates.

Where there is objective evidence of impairment, management makes judgment as to whether an impairment in value should be recorded in the income statement. In determining this, management uses estimates based on historical loss experience for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between the estimated loss and actual loss experience.

The allowance policy for doubtful debts of the PCGE Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of the PCGE Group's trade and other receivables as at 31 December 2012, 31 December 2013 and 30 June 2014 were US\$ 0.119 million, US\$ 0.077 million and US\$0.164 million respectively.

### *Depreciation of property, plant and equipment*

The PCGE Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the PCGE Group intend to derive future economic benefits from the use of the PCGE Group's property, plant and equipment. The residual value reflects management's estimated amount that the PCGE Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's property, plant and equipment as at 31 December 2012 and 2013, and 30 June 2014 were US\$ 0.014million, US\$0.013 million and US\$0.12 million respectively.

## **2. Financial Risks**

### **Financial risk factors**

The PCGE Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow risk), credit risk and liquidity risk. The PCGE Group's overall risk management programme seeks to minimise potential adverse effects on the PCGE Group's financial performance.

#### **(a) Market risk**

##### *Foreign exchange risk*

The PCGE Group has exposure to foreign exchange risk during the periods under review as its cash flows and financial assets and liabilities are mainly denominated in RMB and ultimately reported in US\$.

*Fair value interest rate risk and cash flow risk*

The fair values of financial assets and financial liabilities approximate the carrying amounts of those assets and liabilities reported in the combined statements of financial position.

**(b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as committed transactions. Management assess the other factors. Individual risk limits are set based on limits set by the board.

**(c) Liquidity risk**

The overriding financial risk to the PCGE Group during the year was that of liquidity. At the current stage of the PCGE Group's major source of funds is likely to be through the injection of new equity capital or a debt facility, or a combination of such sources.

**3. Operating Segments**

The PCGE Group is a provider of gaming services in China. The PCGE Group's revenue and profit before taxation will be derived from its principal activity. Revenues will be derived from external customers based in China. The PCGE Group's operations are based in China and its assets and liabilities relate to this single business segment.

**4. Profit or loss from operations**

The profit or loss from operations in the period under review has been arrived at after charging the following amounts:

	Year ended 31 December 2011 US\$'000	Year ended 31 December 2012 US\$'000	Year ended 31 December 2013 US\$'000	6 months end 30 June 2013 US\$'000	6 months end 30 June 2014 US\$'000
Depreciation of property, plant and equipment	—	1	1	1	1

**5. Staff costs**

There are no staff costs in the period.

**6. Taxation**

	Year ended 31 December 2011 US\$'000	Year ended 31 December 2012 US\$'000	Year ended 31 December 2013 US\$'000	6 months end 30 June 2013 US\$'000	6 months end 30 June 2014 US\$'000
Current tax charge for the year	—	—	—	—	—

The tax rate used for the reconciliations below is the corporate tax rate of 25%, 16.5% and 10% payable by corporate entities in the PRC, Hong Kong and Gibraltar respectively on taxable profits under tax law in those jurisdictions.

The charge for the period can be reconciled to the profit or loss per the combined income statements as follows:

	As at 31 December 2011 US\$'000	As at 31 December 2012 US\$'000	As at 31 December 2013 US\$'000	6 months ended 30 June 2013 US\$'000	6 months ended 30 June 2014 US\$'000
Loss before taxation	—	(83)	(5,407)	(343)	(358)
Profit multiplied by standard rate of corporation tax of 10%/16.5%/25%	—	(20)	(614)	(28)	(47)
Effect of:					
Creation of tax losses for which no deferred tax asset is recognised	—	20	614	28	47
<b>Total tax charge</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 7. Non Current Assets

	Property, plant and equipment US\$'000	Investment in licences US\$'000	Total US\$'000
<b>Cost</b>			
At 1 January 2011	—	3,500	3,500
Additions	15	—	15
At 31 December 2011	15	3,500	3,515
Additions	—	—	—
At 31 December 2012	15	3,500	3,515
Additions	—	—	—
At 31 December 2013	15	3,500	3,515
Additions	—	—	—
At 30 June 2014	15	3,500	3,515
<b>Depreciation</b>			
At 1 January 2011	—	—	—
Charge for the year	—	—	—
At 31 December 2011	—	—	—
Charge for the period	1	—	1
At 31 March 2012	1	—	1
Charge for the period	1	—	1
At 31 December 2013	2	—	2
Change for period	1	—	1
At 30 June 2014	3	—	3
<b>Net book value</b>			
At 31 December 2011	15	3,500	3,515
At 31 December 2012	14	3,500	3,514
At 31 December 2013	13	3,500	3,513
At 30 June 2014	12	3,500	3,512

## 8. Trade and other receivables

	As at 31 December 2011 US\$'000	As at 31 December 2012 US\$'000	As at 31 December 2013 US\$'000	As at 30 June 2014 US\$'000
Prepayments	72	103	16	18
Other receivables	—	16	2	63
	72	119	18	21

There are no trade or other receivables past their due date and the Directors consider that the carrying amount of trade and other receivables approximates their fair value.

The non-trade amounts owing by related parties are unsecured, interest-free and repayable on demand.

## 9. Share Capital

	As at 31 December 2011 US\$'000	As at 31 December 2012 US\$'000	As at 31 December 2013 US\$'000	As at 30 June 2014 US\$'000
Issued fully paid 750,000,007 ordinary shares of £ 0.001 each	1,223	1,223	1,223	1,223

## 10. Additional paid in capital

	As at 31 December 2011 US\$'000	As at 31 December 2012 US\$'000	As at 31 December 2013 US\$'000	As at 30 June 2014 US\$'000
Issued fully paid 750,000,007 ordinary shares of £ 0.001 each	4,528	4,528	4,528	4,528

## 11. Statutory surplus reserve

According to the relevant PRC regulations and the Articles of Association of the VIE subsidiary, it is required to transfer 10 per cent. of its profit after income tax to the statutory surplus reserve until the reserve balance reaches 50 per cent. of the registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. Statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25 per cent. of the registered capital.

At each year end the statutory surplus reserve stood at US\$Nil.

## 12. Trade and other payables

	As at 31 December 2011 US\$'000	As at 31 December 2012 US\$'000	As at 31 December 2013 US\$'000	As at 30 June 2014 US\$'000
Other payables	87	207	546	539
Accruals	—	1	2	161
	87	208	548	700

All amounts included in trade and other payables are non-interest bearing and are not secured on the assets of the PCGE Group.

The Directors consider that the carrying amount of trade and other payables approximates their fair value.

### 13. Borrowings

	As at 31 December 2011 US\$'000	As at 31 December 2012 US\$'000	As at 31 December 2013 US\$'000	As at 30 June 2014 US\$'000
Borrowings	—	—	—	700

On 10 May 2014 the Company issued a loan note to Kolarmy Technology Inc in the principal amount of US\$0.7m. The loan note bears interest at the rate of 1 per cent. per month on the actual principal amount outstanding on redemption and the loan is repayable at the option of the Noteholder either upon the happening of an event of default as referred to in the Loan Note or upon floatation of the Company on a recognised stock exchange. The loan note is unsecured.

On 2 October, 2014, the loan note has been increased by US\$300,000 to a total of US\$ 1.0 million, and the terms of the loan note have been revised as detailed in note 21.

### 14. Cash Flow from operating activities

	Year ended 31 December 2011 US\$'000	Year ended 31 December 2012 US\$'000	Year ended 31 December 2013 US\$'000	6 months ended 30 June 2013 US\$'000	6 months ended 30 June 2014 US\$'000
Loss before tax	—	(83)	(5,407)	(343)	(358)
Expense settled by share issue	—	—	4,876	—	—
(Increase)/decrease in debtors	(72)	(47)	101	12	(3)
Increase/(decrease) in creditors	87	136	340	197	152
Foreign exchange	—	1	(23)	(20)	2
Cash flow from operating activities	15	7	(113)	154	(207)

PCG Entertainment Plc issued shares to Black Swan Plc and Forbidden City Ltd. Black Swan Plc received 373,657,096 shares and Forbidden City Ltd received 373,657,097 shares of a nominal value of £0.001 issued at a price of £0.004 to satisfy the invoices from each party of £ 1,494,629 for fees and costs incurred in establishing the PCG Entertainment Plc Group.

### 15. Financial Instruments

The PCGE Group's principal financial instruments comprise cash and cash equivalents, trade and other receivables and trade and other payables. The PCGE Group's accounting policies and methods adopted, including the criteria for recognition, the basis on which income and expenses are recognised in respect of each class of financial asset, financial liability and equity instrument are set out in Note 1. The PCGE Group does not use financial instruments for speculative purposes.

The principal financial instruments used by the PCGE Group, from which financial instrument risk arises, are as follows:

	As at 31 December 2011 US\$'000	As at 31 December 2012 US\$'000	As at 31 December 2013 US\$'000	As at 30 June 2014 US\$'000
Trade and other receivables	72	119	18	21
Cash and cash equivalents	—	158	45	538
Trade and other payables	(88)	(209)	(548)	(700)
Borrowings	—	—	—	(700)

#### *Capital risk management*

The primary objective of the PCGE Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The PCGE Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the PCGE Group may return capital to

shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2011, 2012, and 2013.

#### *Derivatives, financial instruments and risk management*

The PCGE Group does not use derivative instruments or other financial instruments to manage its exposure to fluctuations in foreign currency exchange rates, interest rates and commodity prices.

#### *Liquidity Risk*

Liquidity risk arises from the PCGE Group's management of working capital. It is the risk that the PCGE Group will encounter difficulty in meeting its financial obligations as they fall due.

The PCGE Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the PCGE Group arise in respect of trade and other payables. Trade and other payables are all payable within 12 months.

The Board receives cash flow projections on a regular basis as well as information on cash balances.

#### *Interest Risk*

The PCGE Group has no interest bearing financial instruments as at the balance sheet dates other than cash.

#### *Foreign currency risk management*

The PCGE Group has exposure to foreign exchange risk as its cash flows and financial assets and liabilities are mainly denominated in Renminbi and reported in US\$.

#### *Credit risk*

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the PCGE Group. The PCGE Group has adopted a policy of only dealing with creditworthy counterparties. The PCGE Group's exposure and the credit ratings of its trading counterparties are monitored by the board of directors to ensure that the aggregate value of transactions is spread amongst approved counterparties.

The PCGE Group's principal financial assets are cash and cash equivalents, trade debtors and other accounts receivables. Cash equivalents include amounts held on deposit with financial institutions.

The PCGE Group has no significant concentrations of credit risk. Cash is placed with established financial institutions. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

### **16. Commitments**

The PCGE Group had no capital commitments as at 31 December 2011, 2012 and 2013, and 30 June 2014.

### **17. Contingencies**

The PCGE Group had no material contingent liabilities as at 31 December 2011, 2012 and 2013, and 30 June 2014.

### **18. Related Party Transactions**

Certain of the PCGE Group's transactions and arrangements are with related parties and the effect of these, on the basis determined between the parties, is reflected in the Combined Historical Financial Information. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

A former member of the management team, Mr Hu Ye, used his own Service vehicle, Advant Gain Limited to pay bills on behalf of the group. These amounts are shown within the relevant headings and were at normal arms lengths terms.

Advant Gain Limited, had the following balances with the group:

	As at 31 December 2011 US\$	As at 31 December 2012 US\$	As at 31 December 2013 US\$	As at 30 June 2014 US\$
Creditor	87,372	196,513	327,257	323,411

During the periods under review consulting payments of US\$92,740 were made to Advant Gain.

Kolarmy Technology Inc is a shareholder of PCG Entertainment Plc.

During the periods under review consulting payments of HK\$125,000 were made to Kolarmy Technology Inc.

On 10 May 2014 the Company issued a loan note to Kolarmy Technology Inc in the principal amount of US\$0.7m. The loan note bears interest at the rate of 1 per cent. per month on the actual principal amount outstanding on redemption and the loan is repayable at the option of the Noteholder either upon the happening of an event of default as referred to in the Loan Note or upon floatation of the Company on a recognised stock exchange. The loan note is unsecured. The terms of this Loan Note were subsequently changed as detailed in Note 21.

At 30 June 2014 a further US\$70,000 (31 December 2013 – £70,000) was due to Kolamy Technology Inc.

Black Swan Plc received 373,657,096 shares and Forbidden City Ltd received 373,657,097 shares of a nominal value of £0.001 issued at a price of £0.004 to satisfy the invoices from each party of £ 1,494,629 for fees and costs incurred in establishing the PCG Entertainment Plc Group.

At 30 June 2014 US\$7,806 was due to each of Black Swan Plc and Forbidden City Ltd.

Key management personnel compensation is analysed as follows:

Key management personnel are considered to be the directors. No director received any emoluments in the period ended 30 June 2014 and the years ended 31 December 2011, 2012 and 2013.

No other members of the management team received any compensation and this only commences when the company floats.

## 19. Intra Group Transactions

Transactions between Group parties have not been disclosed as these have all been eliminated in the preparation of the Combined Historical Financial Information.

## 20. Ultimate Controlling Party

At 31 December 2011, 2012, and 2013, and 30 June 2014, the directors do not believe there to be any single controlling party.

## 21. Subsequent events

On 10 May 2014 the Company issued a loan note to Kolarmy Technology Inc in the principal amount of US\$0.7m. The loan note bears interest at the rate of 1 per cent. per month on the actual principal amount outstanding on redemption and the loan is repayable at the option of the Noteholder either upon the happening of an event of default as referred to in the Loan Note or upon floatation of the Company on a recognised stock exchange.

On 2 October 2014, this loan note has been increased by US\$300,000 to a total of US\$1.0 million, and the terms of the loan note have been revised such that it bears interest at 6 per cent. per annum on the actual principal amount outstanding on redemption or conversion. The Loan Note and interest thereon

shall be repayable at the option of the Noteholder either upon the happening of an event of default as referred to in the Loan Note or on the date 18 months plus 1 day from the date of admission of the Company's ordinary shares to trading on the AIM Market of the London Stock Exchange. The Noteholder will have the right to require the allotment of ordinary shares of the Company to the Noteholder in satisfaction of all or part of the Loan Note and interest thereon. The loan note is unsecured.

On 3 November 2014 the Company's subsidiary, SG entered into a framework agreement which grants an option to acquire 10 per cent. of two companies in Hainan Province, China, for \$3,000,000 payable in cash and/or shares. Notice to exercise the option will be despatched immediately prior to the listing of PCGE and the consideration will be satisfied by issue of shares in PCGE.

On 3 November 2014 the Company's subsidiary, SG entered into Cooperation Agreements with HLC and HPC in order to maximise the growth potential of the businesses. The terms of the Cooperation Agreements are five years and will be automatically renewed for another five years at the end of the initial term unless terminated by either party giving six months written notice.

On 17 September 2014 the Company allotted and issued 10,000,000 Ordinary Shares in the share capital of the Company to Ashton Nominees Inc.

On 10 October 2014 the Company allotted and issued 107,100,000 Ordinary Shares in the share capital of the Company in consideration for advisory services received as follows:

- 85,680,000 to Kaitian Investment Company Limited
- 10,710,000 to Jingo Investments Limited
- 10,710,000 to Zippy Management Limited

On 10 October 2014 the Company entered into a Supplemental Agreement with regard to the acquisition of HKSS, whereby the Company may allot and issue to the previous owners of HKSS further consideration shares in its absolute discretion so that the original consideration shares and these further consideration shares have an aggregate value of £4,496,984. The Company may have regard in its absolute discretion to, *inter alia*, the price at which the Company may agree to allot and issue shares conditional upon its proposed admission to trading on the AIM Market of the London Stock Exchange.

## SECTION C: UNAUDITED PRO FORMA STATEMENT OF NET ASSETS OF PCG ENTERTAINMENT PLC

The following unaudited pro forma statement of net assets of the Group (the “pro forma financial information”) is based on the combined net assets of the Group as at 30 June 2014, set out in the Accountants’ Report for the period ended on that date set out in Part III, and has been prepared to illustrate the effect on the combined net assets of the Group as if the issue of loan, the exercise of the option to acquire 10 per cent. of the Hainan companies, and the Subscription and Placing were completed at 30 June 2014.

The pro forma financial information has been prepared for illustrative purposes only and, because of its nature, addresses a hypothetical situation and does not, therefore, represent the Group’s actual financial position or results. The pro forma financial information has been prepared on the basis set out in the notes below. The pro forma financial information is stated on the basis of the accounting policies adopted in the Accountant’s Report set out in Part III.

	PCGE at 30 June 2014 Note 1 US\$	Issue of Loan Note Note 2 US\$	Exercise of Option to acquire 10% of Hainan companies Note 3 US\$	Subscription and Placing proceeds (net of Admission costs) Note 4 US\$	Pro forma net assets of PCGE US\$
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12,338	—	—	—	12,338
Intangible assets	3,500,000	—	—	—	3,500,000
Investments	—	—	3,000,000	—	3,000,000
	3,512,338	—	3,000,000	—	6,512,338
<b>Current assets</b>					
Trade and other receivables	21,333	—	—	—	21,333
Cash and cash equivalents	538,420	300,000	—	4,060,000	4,898,420
	559,753	300,000	—	4,060,000	4,919,753
<b>TOTAL ASSETS</b>	<b>4,072,091</b>	<b>300,000</b>	<b>3,000,000</b>	<b>4,060,000</b>	<b>11,432,091</b>
<b>Current liabilities</b>					
Borrowings	(700,000)	(300,000)	—	—	(1,000,000)
Trade and other payables	(697,949)	—	—	—	(697,949)
<b>Total liabilities</b>	<b>(1,397,949)</b>	<b>(300,000)</b>	<b>—</b>	<b>—</b>	<b>(1,697,949)</b>
<b>NET ASSETS</b>	<b>2,674,142</b>	<b>—</b>	<b>3,000,000</b>	<b>4,060,000</b>	<b>9,734,142</b>

### Notes:

- The net assets of the Group at 30 June 2014 have been extracted without the material adjustment from the Accountants’ Report set out in Part III.

Adjustments:

- On 10 May 2014 the Company issued a Loan Note to Kolarmy Technology Inc. in the principal amount of US\$0.7m. On 2 October 2014 the Loan Note has been increased by the principal amount of US\$0.3m to US\$1.0m. At that date the terms were amended such that the Loan Note bears interest at the rate of 6 per cent. per annum on the actual principal amount outstanding on redemption or conversion. The Loan Note and interest thereon shall be repayable at the option of the Noteholder either upon the happening of an event of default as referred to in the Loan Note or on the date 18 months plus 1 day from the date of admission of the Company’s ordinary shares to trading on the AIM Market of the London Stock Exchange. The Noteholder will have the right

to require the allotment of ordinary shares of the Company to the Noteholder in satisfaction of all or part of the Loan Note and interest thereon. The loan note is unsecured.

3. On 3 November 2014 the Company's subsidiary, SG, entered into a framework agreement which grants an option right to acquire 10 per cent. of two companies in Hainan Province, China, for US\$3,000,000 payable in cash and/or shares. Notice to exercise the option will be despatched immediately prior to the listing of PCGE and the consideration will be satisfied by issue of shares in PCGE.
4. The Subscription will raise US\$3.10m. The Placing is estimated to raise proceeds for the Group of US\$2.29m. The estimated expenses of the Admission are US\$1.59m, of which US\$0.26m had been incurred at 30 June 2014.

No account has been taken of the financial performance of the Group since 30 June 2014, nor of any event save as disclosed above

## PART IV

### SUMMARY OF THE WARRANT INSTRUMENT AND THE TERMS OF THE WARRANTS

The Warrants are constituted by, and issued subject to and with the benefit of the Warrant Instrument pursuant to which the Company has granted, conditional on Admission, to each subscriber of Issue Shares 2 Warrants for every 1 Issue Share subscribed for. Holders of Warrants are and will be bound by all the terms and conditions set out in the Warrant Instrument. The Company has, conditional on Admission, granted 113,666,668 Warrants pursuant to the Warrant Instrument and if all such Warrants were to be exercised then there would be up to 113,666,668 new Ordinary Shares issued on exercise of the Warrants.

Set out below is a summary of the principal terms of the Warrant Instrument and the Warrants.

<b>Exercise Price</b>	2 pence per Ordinary Share
<b>Exercise Period</b>	The period beginning on the first anniversary of Admission and ending on the Expiry Date
<b>Expiry Date</b>	Second anniversary of the date of Admission, provided that it is a business day but, if not, the next business day
<b>Transfer</b>	Non-transferable and the rights under the Warrants are non-assignable
<b>Undertakings of the Company</b>	<p>The Company undertakes that upon the exercise of a Warrant by any Warrantholder, in accordance with the conditions of the Warrant Instrument (the “Conditions”), it shall allot and issue to that person the relevant number of Ordinary Shares to be allotted and issued pursuant thereto in accordance with the Conditions.</p> <p>Provided that upon the exercise of any Warrants by a Warrantholder the Ordinary Shares are admitted to trading on AIM, the Company will apply for the relevant Ordinary Shares to be admitted to trading on AIM not later than seven business days after the issue of those Ordinary Shares and shall use all reasonable endeavours to secure such permission or quotation.</p> <p>Provided that upon the exercise of any Warrants by a Warrantholder the Company is participating in CREST, the Company will procure that such Ordinary Shares be available (via depositary interests) in uncertificated form in CREST not later than seven business days after the issue of those Ordinary Shares.</p>
<b>Constitution and form of Warrant</b>	<p>Each Warrant shall entitle the Warrantholder to subscribe 1 Ordinary Share, in cash, at the Exercise Price during the Exercise Period provided that any Warrant may only be exercised if and to the extent that, during the period from Admission to the date of exercise of such Warrant, the Warrantholder has continuously held 1 Issue Share for each 2 Warrants to be exercised and the Warrantholder shall provide evidence to the Company (to be in form and substance satisfactory to the Company acting in its sole and absolute discretion and in respect of which any decision made by the Company shall be final and not capable of challenge) of such continuous holding of Issue Shares.</p> <p>The Warrants shall be capable of being exercised on separate occasions and shall be capable of being exercised in whole or in part (in amounts of at least 10,000 Ordinary shares or, if the</p>

number of remaining Ordinary Shares available to be subscribed for under the Warrants is less than 10,000, that lesser number) only at the discretion of the Warrantholders at any time during the Exercise Period. In the event that a Warrantholder shall exercise part only of its Warrants, it shall have the right to exercise the remaining Warrants at any time during the Exercise Period. To the extent that any Warrants are not so exercised during the Exercise Period, they shall lapse and become incapable of further or subsequent exercise.

The Company shall comply with the Conditions, which shall be deemed to be incorporated in the Warrant Instrument and shall be binding on the Company and the holders of the Warrants (who shall be deemed to have notice of those terms) and all persons claiming through or under them respectively.

In order for its Warrants to be exercised, the Warrantholder must lodge at the Registrars not later than 3.00 pm on the date of exercise its Warrant certificate, such exercise date always being a business day, having completed the notice of exercise thereon (the "Notice of Exercise") in the form attached to the Warrant certificate, accompanied by a remittance for the aggregate subscription monies for the Ordinary Shares in respect of which the Warrants have been exercised (by cheque(s) drawn on a United Kingdom clearing bank or receipt by the Company of a telegraphic transfer of the subscription monies) and the evidence satisfactory to the Company of the matters referred above. Once lodged, a Notice of Exercise shall be irrevocable save with the consent of the Board. Compliance must also be made with any requirements for the time being applicable. A Notice of Exercise which is not completed and lodged in accordance with Warrant Instrument shall be of no effect.

Following the successful exercise of Warrants in accordance with the Warrant Instrument, the Company will allot the relevant number of Ordinary Shares not later than 10 business days after such exercise. Certificates in respect of such Ordinary Shares will be issued free of charge at such time in the name of the relevant Warrantholder or, if the relevant Warrantholder so elects and provided the Company is participating in CREST or another electronic or book-entry delivery systems in respect of Ordinary Shares, upon the request of the Warrantholder, such aggregate number of Ordinary Shares (via depositary interests) to which the Warrantholder shall be entitled to the Warrantholder's or its designee's CREST stock account or its balance account with such electronic or book-entry system. In the event of a partial exercise of any Warrants, the Company shall, at the time of issue of share certificates, issue free of charge a fresh certificate in the name of the Warrantholder for any balance of his Warrants remaining.

Ordinary Shares allotted pursuant to exercise of Warrants will rank for all dividends or the distributions declared after the date of allotment of such shares but not before such date and otherwise *pari passu* in all respects with the Ordinary Shares in issue on the date of such exercise.

Any Warrant not exercised on the Expiry Date shall lapse.

## Variation of rights

While any Warrants remain exercisable:

- after any allotment of fully paid Ordinary Shares by way of capitalisation of profits or reserves or a bonus issue to holders of the Ordinary Shares to holders of the Ordinary Shares on the register of members of the Company on a date (or by reference to a record date); or
- upon any sub-division or consolidation or other technical reconstruction of the Ordinary Shares,

the number and/or nominal value of Ordinary Shares to be subscribed on a subsequent exercise of each Warrant will be increased or (as the case may be) reduced proportionately on the basis that immediately after the allotment, sub-division or consolidation, the Ordinary Shares to be issued if the subscription rights attaching to the then outstanding Warrants were exercised shall constitute the same percentage of the total number of issued Ordinary Shares as that which such Ordinary Shares would have constituted immediately before such allotment, sub-division or consolidation and the Exercise Amount of the then outstanding Warrants shall be adjusted accordingly.

The Warranholders will be given notice in writing of all adjustments. No adjustment will be made to the Exercise Price (other than by reason of a consolidation of Ordinary Shares as referred above) if it would result in an increase in the Exercise Price and on any adjustment the adjusted Subscription Price will be rounded down to the nearest one quarter penny. Any amount by which the Subscription Price is rounded down will be taken into account and carried forward in any subsequent adjustment.

## General Offers

Save as set out below, if at any time:

- an offer is made to all holders of equity share capital of the Company (as defined in the Act) (or all such holders other than the offeror and/or any company controlled by the offeror and/or any person acting in concert with the offeror (as such expression is defined in the latest edition of the City Code)) to acquire the whole or any part of such equity share capital of the Company; and
- the Company becomes aware that, as a result of such an offer, the right to cast a majority of votes which may ordinarily be cast on a poll at a general meeting of the Company has or will become vested in the offeror and/or such persons or companies as aforesaid,

the Company shall forthwith give notice to the Warranholders of such vesting within 21 days of its becoming so aware (the “General Offer”).

For the avoidance of doubt, publication of a scheme of arrangement under Part 26 of the Act (or equivalent thereof in another jurisdiction) providing for the acquisition by any person of the whole or any part of such equity share capital of the Company shall be deemed to be the making of a General Offer.

If, at any time, a General Offer or invitations made by the Company to the holders for the time being of the Ordinary Shares (subject to such exclusions as may be advisable to deal with any legal or regulatory requirement under the laws of any overseas territory or the requirements of any regulatory body or stock exchange) for the purchase by the Company of any of their Ordinary Shares, the Company shall simultaneously give notice thereof to the Warrantheolders who shall be entitled, at any time whilst such offer or invitation is open for acceptance, to exercise the Subscription Rights so as to take effect subject to payment in full of the relevant Subscription Price as if they had exercised such rights immediately prior to the date (or record date) of such offer or invitation on the basis then applicable and the Company shall ensure that any such offer or invitation is extended to any Ordinary Shares arising from such exercise as if such shares had been in issue on the date (or record date) of such offer or invitation.

### **Winding up**

If an order is made or an effective resolution is passed on or before the Expiry Date for the voluntary winding up of the Company (except for the purpose of reconstruction or amalgamation, in which case the Company will procure that each Warrantheolder is granted by the reconstructed or amalgamated company substituted warrants of a value equivalent to the value of the Warrants held by him immediately prior to such reconstruction or amalgamation in substitution) as the Warrantheolder acknowledges for and to the exclusion of the Warrants (held immediately prior to such reconstruction or amalgamation becoming effective) the Warrantheolder will be entitled for the purpose of ascertaining his rights in the winding up to be treated as if he had immediately before the date of the passing of the resolution fully exercised his rights to acquire Ordinary Shares pursuant to the Warrants and in that event he shall be entitled to receive out of the assets available in the liquidation *pari passu* with the holders of the Ordinary Shares such a sum as he would have received had he been the holder of all such Ordinary Shares to which he would have become entitled by virtue of such exercise after deducting a sum equal to the aggregate Exercise Price which would have been payable in respect of such exercise. The rights of the Warrantheolders shall be calculated by the auditors of the Company for the time being whose determination shall (save in the case of manifest error) bind the Company and the Warrantheolder.

The Warrants shall lapse on liquidation of the Company.

### **Modification to the Warrant Instrument**

All or any of the rights for the time being attached to the Warrants may, from time to time (whether or not the Company is being wound up), be altered or abrogated with the consent in writing of the Company and the holders of not less than 50 per cent. of the Warrants which are outstanding and unexercised from time to time.

### **Trading**

The Warrants will not be admitted to trading on any public market.

### **Governing Law**

The Warrant Instrument and the Warrants themselves are governed by English law.

## PART V

### ADDITIONAL INFORMATION

#### 1 Responsibility

- 1.1. The Directors of the Company, whose names and functions appear on page 7 of this document, and the Company accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (having taken all reasonable care to ensure that such is the case) and the Company the information contained in this document, for which they are responsible, is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2. Nexia Smith & Williamson accepts responsibility for its reports contained in each of sections A, B and C of Part III of this document. To the best of the knowledge of Nexia Smith & Williamson, which has taken all reasonable care to ensure that such is the case, the information contained in such reports is in accordance with the facts and does not omit anything likely to affect the import of such information.

#### 2 The Company

- 2.1 The Company was incorporated as a public company limited by shares in Gibraltar under the Gibraltar Companies Act 1930, on 25 May 2012, with the name “PCG Entertainment PLC” and with registered number 107915. PCG Entertainment PLC is both the Company’s legal and commercial name. The Company is governed by its Memorandum and Articles and the principal legislation under which the Company operates is the Gibraltar Act.
- 2.2 The issued share capital of the Company is £867,100.007 divided into 867,100,007 Ordinary Shares which are all fully paid. The par value of each Ordinary Share is £0.001.
- 2.3 The Company is domiciled in Gibraltar. The Company’s registered office and principal place of business is at G1 Haven Court, 5 Library Ramp, Gibraltar. The telephone number of the Company’s registered office is +350 200 78949. Its website address is [www.pcge.com](http://www.pcge.com). Information displayed on the Company’s website does not constitute a part of this document.

#### 3. The Group

The Company conducts its operations through the following subsidiaries, WFOE and VIE arrangements:

##### *Non-PRC subsidiary:*

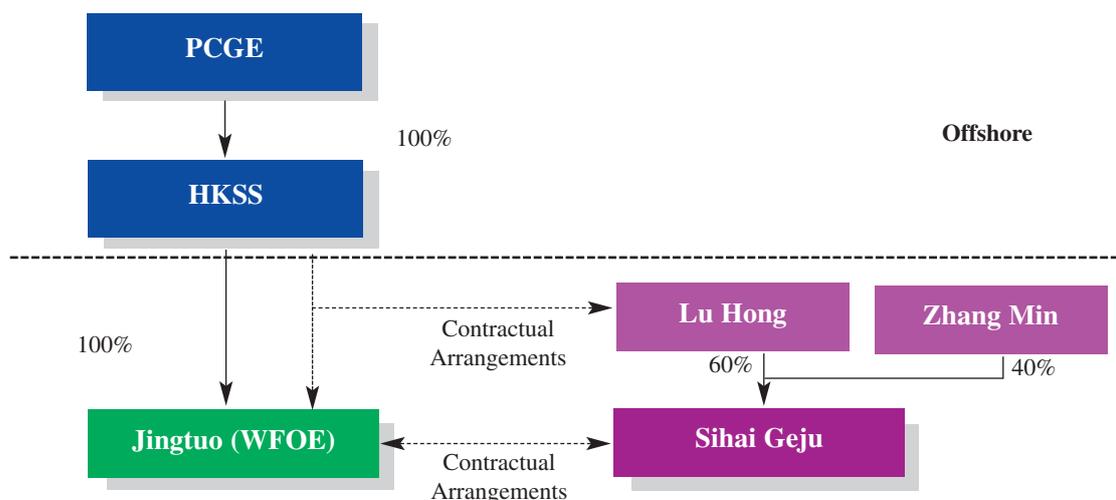
- Hong Kong Strategic Services Limited, a wholly owned subsidiary incorporated on 8 August 2011 in Hong Kong with company number 1656551 whose principal activity is an intermediate holding company.

##### *PRC WFOE and VIE:*

- Jingtuo World Technology Consulting (Beijing) Limited (“Jingtuo”), a WFOE incorporated on 25 February 2013 in PRC with company number 110000450228485. Jingtuo is a wholly owned subsidiary of Hong Kong Strategic Services Limited, and Jingtuo’s principal activity is to engage in the VIE Arrangements further details of which are set out in paragraph 9.23 of this Part V.
- Beijing Sihai Geju Cultural Media Company Limited (“Sihai Geju”), a privately owned company incorporated on 2 March 2009 in PRC with company number 110105011720665 over which the Company exercises control in accordance with the VIE Arrangements described in paragraph 9.23 of this Part V. The principal activity of Sihai Geju is to hold and exploit the Licences further details of which are set out in paragraph 2 of Part I of this document. The current registered shareholders of Sihai Geju as at the date of this document are Lu Hong and Zhang Min,

both Chinese nationals and residents of the PRC, and who own 60 per cent. and 40 per cent. of the equity share capital in Sihai Geju respectively.

3.2 The following diagram illustrates the Group structure as at the date of this document:



Please refer to paragraph 9.23 of this Part V for further details of the VIE Arrangements.

#### 4. Share Capital of the Company

4.1 The Company is the holding company of the Group.

4.2 The authorised and issued share capital of the Company (all of which is fully paid up unless otherwise stated) (i) at the date of this document and (ii) on Admission is/will be:

	Authorised share capital		Issued share capital	
	Number of Ordinary Shares	Amount	Number of Ordinary Shares	Amount
At the date of this document	3,000,000,000	£3,000,000	867,100,007	£867,100.007
On Admission	3,000,000,000	£3,000,000	1,030,691,444	£1,030,691.444

As at 30 June 2014, being the date of the most recent balance sheet included in Part III of this document, the issued Ordinary Share capital was £750,000.007 of which 750,000,007 Ordinary Shares were issued and fully paid.

4.3 Changes in the share capital of the Company preceding the date of this document are as follows:

4.3.1 On incorporation the authorised share capital of the Company was £1,000,000 divided into 1,000,000,000 ordinary shares of £0.001 each.

4.3.2 On 25 May 2012, 7 Ordinary Shares were subscribed for as follows:

Subscriber	Number of Ordinary Shares
Ashton Nominees Inc	1
Black Swan FZE	1
Black Swan Plc	1
Gnat Holdings Limited	1
Richard Poulden	1
Solent Nominees Limited	1
St Cloud Capital S.A.	1

4.3.3 On 26 September 2013, resolutions were passed by the members of the Company authorising the Directors to allot up to a maximum aggregate amount of 999,999,993 shares on a non pre-emptive basis without further Shareholder approval until 26 September 2018.

- 4.3.4 On 14 November 2014, resolutions were passed by the members of the Company authorising the Directors to allot up to a maximum aggregate amount of 2,999,999,993 shares on a non-pre-emptive basis without further Shareholder approval until 14 November 2019. Such authorisation is in substitution for the authority granted to the Directors on 26 September 2013.
- 4.3.5 On 18 December 2013 the Company allotted and issued 373,657,097 ordinary shares of £0.001 each to Forbidden City Ltd and 373,657,096 ordinary shares of £0.001 each to Black Swan Plc in settlement of two identical invoices for £1,494,628.38 each covering set up costs, corporate finance advice and general investment costs incurred in the creation of the Group's underlying businesses over a three year period.
- 4.3.6 On 21 December 2013 the Company allotted and issued 2,685,807 ordinary shares of £0.001 each pursuant to the Share Sale Agreement in the following proportions (further details of which are set out in paragraph 9.10 of Part V of this document):
- 222,581 to Castor Trade Limited
  - 148,388 to Norco Investments Limited
  - 348,702 to LOM Nominees Limited
  - 816,132 to Avance Development Corp
  - 1,112,907 to Kolarmy Ventures Inc.
  - 37,097 to Mr. Abdulmajid Faraidooni
- 4.3.7 On 17 September 2014 the Company allotted 10,000,000 ordinary shares of £0.001 each to Ashton Nominees Inc belonging to the Malvern Trust, a trust in respect of which Richard Poulten's family can be beneficiaries.
- 4.3.8 On 10 October 2014 the Company allotted and issued 107,100,000 ordinary shares of £0.001 each in the following proportions:
- 85,680,000 to Kaitian Investment Company Limited
  - 10,710,000 to Jingo Investments Limited
  - 10,710,000 to Zippy Management Limited
- 4.3.9 On 14 November 2014 the Company's authorised share capital was increased to £3,000,000 divided into 3,000,000,000 ordinary shares of £0.001 each.
- 4.3.10 On 28 November 2014 the Company entered into a subscription agreement with YTB (acting as duly authorised agent and trustee of the Subscribers) in respect of the allotment of the Subscription Shares for an aggregate subscription amount of US\$3,100,000. Please refer to paragraph 9.16 of this Part V for further details.
- 4.3.11 On 28 November 2014 pursuant to the Placing, the Subscription and the Warrant Instrument, the Company has allotted 56,833,334 new Ordinary Shares and granted 113,666,668 Warrants conditional on Admission. On 28 November 2014 the Company allotted the HKSS Further Consideration Shares conditional on Admission. On 28 November 2014 the Company allotted the Yorkville Implementation Fee Shares conditional on Admission.
- 4.3.12 Pursuant to the Yorkville SEDA referred to in paragraph 9.17 of this Part V, the Company may draw down funds from time to time over a period of up to three years in exchange for the issue of new shares in the capital of the Company, up to a maximum aggregate amount of £2 million. The Yorkville SEDA provides for new Ordinary Shares to be issued pursuant to advance notices issued by the Company, ranking *pari passu* in all respects with the Ordinary Shares then in issue, including the right to receive all dividends and other distributions declared, made or paid up after the date of issue on the Ordinary Shares.

- 4.3.13 The Company will issue the Consideration Shares pursuant to the Framework Agreement as described in paragraph 2 of Part I of this document.
- 4.3.14 Pursuant to the Sanlam Securities Warrant Agreement referred to in paragraph 9.2 below, the Company granted warrants to Sanlam Securities to subscribe for 11,443,581 new Ordinary Shares conditional on Admission, representing one per cent. of the Enlarged Share Capital including any options or warrants exercisable at prices below the Issue Price.
- 4.3.15 Pursuant to the Beaufort Warrant Agreement referred to in paragraph 9.3 below, the Company granted warrants to Beaufort to subscribe for 1,216,667 new Ordinary Shares representing five per cent. of the total number of Placing Shares placed by Beaufort conditional on Admission.
- 4.4 The authorised share capital of the Company at the date of this document and immediately following Admission will be £3,000,000 divided into 3,000,000,000 Ordinary Shares of which 867,100,007 Ordinary Shares have been issued, credited as fully paid, as at the date of this document and it is anticipated that immediately following Admission the issued share capital will be £1,030,691.444 comprising 1,030,691,444 Ordinary Shares, credited as fully paid.
- 4.5 The authorised but unissued share capital of the Company immediately following Admission will be £1,969,308.556 representing approximately 65.64 per cent. of the authorised share capital and approximately 191.07 per cent. of the issued share capital.
- 4.6 Under the Articles, the Directors are not permitted to allot and issue any shares above the authorised share capital of £3 million without first seeking Shareholder approval to increase the share capital of the Company. Shareholder approval can, however, be given in the form of a resolution of the members in a general meeting, authorising the exercise generally by the Directors of power to allot shares for up to a five year period. Resolutions were passed by the members on 26 September 2013 authorising the Directors to allot up to a maximum aggregate amount of 999,999,993 shares on a non-pre-emptive basis without further Shareholder approval until 26 September 2018. Additional resolutions were passed by the members on 14 November 2014 authorising the Directors to allot up to a maximum aggregate amount of 2,999,999,993 shares on a non-pre-emptive basis without further Shareholder approval until 14 November 2019. The authorisation given to the Directors on 14 November 2014 is in substitution for the authority granted to the Directors on 26 September 2013.
- 4.7 Save as disclosed in this document, no commissions, discounts, brokerages or other special terms have been granted by the Company or its subsidiaries in connection with the issue or sale of any share or loan capital of the Company or its subsidiaries.
- 4.8 There are no shares in the Company which are held by, or on behalf of, the Company and the Company's subsidiaries do not hold any shares in the Company, nor were there as at 31 December 2013.
- 4.9 2,685,807 of the Ordinary Shares issued by the Company (as referred to above) were issued for non-cash consideration in respect of the Share Sale Agreement. In addition, the HKSS Further Consideration Shares have been allotted conditional on Admission, as stated above in paragraph 4.3.11 of this Part V. In October 2014, the Company issued 107,100,000 Ordinary Shares in settlement of an invoice in the sum of US\$280,000 in respect of advisory services (please see paragraph 9.21 of this Part V for further details). In addition, pursuant to the Framework Agreement, in satisfaction of the sum of US\$3 million, the Company will issue the Consideration Shares. In addition, the Company may be required to issue Ordinary Shares in accordance with the loan note issued to Kolarmy Technology Inc. Please refer to paragraph 9.7 of this Part V for further details. Please also refer to paragraph 14 of this Part V for other instances where the Company has issued Ordinary Shares for non-cash consideration.
- 4.10 Save as disclosed in this document no person has any rights to purchase the authorised but unissued capital of the Company and no person has been given an undertaking by the Company to increase its authorised capital.

- 4.11 No shares in the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 4.12 The Ordinary Shares are in registered form. Following Admission, the Ordinary Shares may be held in either certificated form or, through Depositary Interests, in uncertificated form and may be delivered, held and settled in CREST by means of the creation of dematerialised Depositary Interests representing such Ordinary Shares, details of which are set out in paragraph 21 of this Part V. A register of Ordinary Shares will be maintained by the Registrar and a register of Depositary Interests will be maintained by the Depositary Interest Registrar.
- 4.13 The Company had 867,100,007 Ordinary Shares in issue on the date of this document. Save as disclosed in this document (in particular in this Part V), the Company has not used more than 10 per cent. of the issued share capital for the purchase of assets other than cash or settlement of liabilities payable in cash during the period of the financial information set out in Part III of this document.
- 4.14 Save as disclosed in this document (as at the date of this document and as at 30 June 2014):
- 4.14.1 the Company does not have in issue any securities not representing share capital nor are there any outstanding convertible securities issued by the Company; and
- 4.14.2 no share capital of the Company is under option or has been granted conditionally or unconditionally to be put under option.
- 4.15 Save as disclosed in this document, there are no acquisition rights and or obligations over authorised but unissued capital in the Company or an undertaking to increase the capital of the Company, nor were there as at 31 December 2013.
- 4.16 The Ordinary Shares are created under the Gibraltar Act.
- 4.17 The ISIN number for the Ordinary Shares and Depositary Interests is GI000A1171Y8.

## 5. Disclosure of Interests

### 5.1 *Directors' and other interests*

- 5.1.1 As at the date of this document and immediately following Admission, the interests (including related financial products as defined in the AIM Rules for Companies) of the Directors (including persons connected with the Directors within the meaning of section 252 of the Act) in the issued share capital of the Company are as follows:

Name of Shareholder	As at the date of this document		On Admission		After issue of Consideration Shares	
	Number of Ordinary Shares	Percentage of Existing Share Capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital	Number of Ordinary Shares	Percentage of Further Enlarged Share Capital
Richard Poulden <sup>1</sup>	137,282,026	15.83	137,782,026	13.32	137,782,026	12.92
Clive Hyman <sup>2</sup>	1,000,000	0.12	1,000,000	0.10	1,000,000	0.09
Nicholas Bryant <sup>3</sup>	10,000,000	1.15	10,000,000	0.97	10,000,000	0.94
Kung Min Lin <sup>4</sup>	150,654,654	17.37	150,654,654	14.62	150,654,654	14.18
Michael Mainelli <sup>5</sup>	250,000	0.03	250,000	0.02	250,000	0.02
Alan Gravett <sup>6</sup>	100,000	0.01	100,000	0.01	100,000	0.01

Notes:

<sup>1</sup> *Richard Poulden is deemed to be interested in the Ordinary Shares referred to above as follows (all of such Ordinary Shares registered in the name of Ashton Nominees Inc other than the 1 Ordinary Share registered in the name of Black Swan FZE, the 1 Ordinary Share registered in Richard Poulden's own name and the 15,000,001 Ordinary Shares registered in the name of Black Swan Plc as referred to below):*

- a. *1 Ordinary Share belongs to Richard Poulden;*
- b. *1 Ordinary Share belongs to Black Swan FZE which is a wholly owned subsidiary of Black Swan Plc of which Richard Poulden is the chairman and controls a majority of the shares;*
- c. *15,000,001 Ordinary Shares belong to Black Swan Plc of which Richard Poulden is the chairman and controls a majority of the shares;*
- d. *15,000,000 Ordinary Shares belong to Richard Poulden's wife and infant children;*
- e. *97,282,023 Ordinary Shares belong to the Malvern Trust, a trust in respect of which Richard Poulden's family can be beneficiaries; and*
- f. *10,000,000 Ordinary Shares belong to the John Edward Poulden Settlement Trust, a trust for the benefit of Richard Poulden's children.*

*Black Swan FZE is a wholly owned subsidiary of Black Swan Plc of which Richard Poulden is chairman and controls a majority of the shares. Black Swan FZE holds 1 Ordinary Share and Black Swan Plc holds 15,000,001 Ordinary Shares.*

<sup>2</sup> *Clive Hyman holds 1,000,000 Ordinary Shares in his own name.*

<sup>3</sup> *Nicholas Bryant is deemed interested in the 10,000,000 Ordinary Shares referred to above, such Ordinary Shares belong to Tonsley Trust, a trust for the benefit of Nicholas Bryant's family. All such Ordinary Shares are registered in the name of Ashton Nominees Inc.*

<sup>4</sup> *Kung Min Lin holds 138,654,654 Ordinary Shares through Forbidden City Ltd, a company in which Kung Min Lin owns a majority of the shares. Kung-Min Lin's wife, Yu-Ting Lin, holds 12,000,000 Ordinary Shares in her own name.*

<sup>5</sup> *250,000 Ordinary Shares are held by Hawksford Jersey Limited. These shares are held for The Z/Yen Employee Benefits Trust. Michael Mainelli is a director of Z/Yen Group Limited and a potential beneficiary of The Z/Yen Employee Benefits Trust.*

<sup>6</sup> *Alan Gravett and his wife, Kim Gravett, jointly legally and beneficially own 100,000 Ordinary Shares.*

5.1.2 Save as stated above or as otherwise disclosed in this document:

- (a) none of the Directors (nor any person connected with any of them within the meaning of section 227 of the Gibraltar Act or section 252 of the Act) has any interest, whether beneficial or non-beneficial, in the share or loan capital in the Group or in any related financial product (as defined in the AIM Rules for Companies) referenced to the Ordinary Shares;
- (b) there are no outstanding loans granted or guarantees provided by any member of the Group to or for the benefit of the Directors or provided by any Director to any member of the Group;
- (c) none of the Directors has any interest, direct or indirect, in any assets which have been or are proposed to be acquired or disposed of by, or leased to, any member of the Group;

- (d) none of the Directors has any option or warrant to subscribe for any shares in the Company; and
- (e) none of the Directors has any interest, direct or indirect, in any contract or arrangement which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole, which were effected by any member of the Group and which remains in any respect outstanding or unperformed.

5.1.3 Save for the Warrant Instrument described in Part IV, the material contracts described in paragraph 9 of this Part V, the consultancy agreements and letters of appointment referred to in paragraph 7 of this Part V, the lock-in arrangements referred to in paragraph 11 of this Part V and the related party transactions described in paragraph 14 of this Part V or as otherwise disclosed in this document, there are no agreements, arrangements or understandings between any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company connected with or dependent upon Admission.

## 5.2 Major Shareholders

5.2.1 As at the date of this document and so far as the Directors are aware, other than the Directors and their connected persons (whose interests are set out in paragraph 5.1 of this Part V above), the persons set out below are at the date of this document and will immediately following Admission be interested (as defined in Part 6 of FSMA and the Disclosure Rules and Transparency Rules issued by the FCA), directly or indirectly, jointly or severally in three per cent. or more of the issued share capital of the Company:

Name of Shareholder	As at the date of this document		Following Admission		Following issue of Consideration Shares	
	Number of Ordinary Shares	Percentage of Existing Share Capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital	Number of Ordinary Shares	Percentage of Further Enlarged Share Capital
Heng Jui Lin <sup>(1)</sup>	158,872,819	17.85	202,419,133	19.64	202,419,133	19.06
Kaitian Investment Company Avance Development Corp	85,680,000	9.88	85,680,000	8.31	85,680,000	8.07
	10,816,132	1.25	42,750,103	4.15	42,750,103	4.02

Notes:

<sup>1</sup>As at the date of this document, Heng Jui Lin is deemed to be interested in the 158,872,819 Ordinary Shares referred to above and conditional on Admission, will be deemed to be interested in the 202,419,133 Ordinary Shares referred to above as follows:

- 37,500,000 Ordinary Shares held in his own name;
- 91,418,907 Ordinary Shares held by Kolarmy Technology Inc., a company owned and controlled by Heng Jui Lin;
- 29,953,912 Ordinary Shares held by Kolarmy Ventures Inc., a company owned and controlled by Heng Jui Lin; and
- 43,546,314 Ordinary Shares to be issued to Kolarmy Technology Inc. on Admission as part of the HKSS Further Consideration Shares.

5.2.2 Prior to and immediately following Admission, the voting rights of the Company's major Shareholders do not differ from the voting rights of any other Shareholder in the Company.

While the Articles provide for Shareholders to notify the Company of any holdings of three per cent. or more, as there are no requirements under the Gibraltar Act for the Directors or Shareholders who hold three per cent. or more of the Company's share capital to notify the Company of their interests in the Company's share capital or changes

in such interests, the Company may not always know who holds three per cent. or more of the Company's share capital, and therefore the Company may not always be able to comply with Rule 17 of the AIM Rules for Companies. In addition, whilst Article 70 of the Articles requires that the Shareholders comply with Rule 17 of the Aim Rules for Companies; this may not always ensure compliance with the requirements of Rule 17 of the AIM Rules for Companies. Furthermore, the Articles may be amended by a resolution of the Shareholders.

## 6. Additional information on the Directors

6.1 The Directors hold or have held the following directorships and/or partnerships (in addition, where relevant, to being a director of the Company or its subsidiaries) within the five years prior to the publication of this document:

<i>Director</i>	<i>Present Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Richard Poulden	Black Swan Plc Black Swan FZE damson pr limited <sup>1</sup> Hong Kong Strategic Services Limited Wishbone Gold Plc Wishbone Gold Pty Ltd	Adavale Holdings Pty Ltd Arial Aviation Services Limited Australian Gold Holdings Limited Bicarb Sequestration Pty Ltd Casapayer Limited Circle Opportunities Plc Circle Resource Holdings Ltd CO2 Energy Storage Pty Ltd Crystal River Resources Ltd Derby Salt Pty Ltd Drummond Basin Phosphate Pty Ltd Eyebright Didsbury Limited Eyebright Hesslewood Limited Eyebright Plc Fundy Minerals Limited MoneySwap Plc MoneySwap Holdings Limited PCG Entertainment Plc (Isle of Man) Queensland Phosphate Ltd Queensland Potash Pty Ltd The I Surgery Network Limited Sirius Exploration Limited Sirius Macedonia Limited Sirius Minerals Plc Sirius Potash Limited Sirius Resources Limited VOIPAY Plc
Michael Mainelli	ExtZy Limited Financial Laboratory Limited Gresham College Indezy Limited The Council of Almoners of Christ's Hospital Wishbone Gold Plc XUMK Limited Z/Yen Adventures Limited	City Axis Limited Eyebright Plc Insenter Limited Jaffe Associates Limited Milet Publishing Limited Sirius Minerals Plc The Strategic Planning society Weathersure Limited ZYen Limited

<sup>1</sup> This company is not the same company which is providing public relations services to the Company

<i>Director</i>	<i>Present Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Michael Mainelli <i>(continued)</i>	Z/Yen Communications Limited Z/Yen Group Limited Z/Yen Holdings Limited Z/Yen Contents Limited Z/Yen Partners Limited Z/Yen Risk/Reward Limited Z/Yen Ventures Limited	
Alan Gravett	Alpha Beta Gamma Limited Alpha Beta Gamma Fund PCC Limited Black Swan Plc Wishbone Gold Plc	Acitcat Limited (formerly Tactica Management Limited) Aectra Commodities Limited Aectra Distributors Limited Affordable Developments Limited Allenwood Investments Limited Amber Properties Limited Angela Associates Limited Arab Investments and Holdings Limited Argonaut Investments Limited Ashton Nominees Inc. Aspen Services LLC Baros Holdings Limited Bayswater Holdings LLC Beauchamp Trading Company Limited Beaverbridge Investments Limited Belgravia Investments LLC Benchfield Limited Bitecrest Limited Black Swan Plc Blue Mansion Limited Bohemian Consultants Limited Boldabbey Limited Braeside Properties Limited Broughton Advertising Limited Brunswick Investments Limited Buildhi Properties Limited Cedric Investments Inc. Chapley Investments Limited Chelwood Limited Chinbrook Limited Churchley Properties Limited Commodore Holdings Limited Coverley Limited Cysne Properties Limited D & D Consulting Limited Davenport Properties Limited Dependable Foundation Limited, (The) Develica Asia Pacific Limited Develica Deutschland Limited

<i>Director</i>	<i>Present Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Alan Gravett (continued)		Eagle Lake Properties Limited Elleron Properties Limited Evergreen Investments Group Inc. Financière Industrielle et Garantie SA Forsyth Foundation Limited, (The) Foxholt Limited Garrison Developments Inc Gingerapple Limited. Glenclose Holdings Limited Glenhurst Holdings Limited Goldacre Corporation Limited Greenslope Investments Limited Groveland Limited Half Crown Holdings Limited Hazeltree Limited Hideaway properties 2 Limited High Cliff Developments Limited Hillfern Developments Limited Hoylake Limited Jasmine Hill Holdings Limited JBM Investment Holdings Limited Kerry Village Limited Kerrygreen & Gold Organic Products Limited Khyber Limited Kindle Financial Services Limited Kings Lea Investments Limited Lacobriga Properties Limited Larkbay Limited Leecroft Limited Lemanse Limited Lenox Properties Inc. Library of Life (USA) Inc. Lithos Limited Longville Limited Lorac Limited MacNiven & Cameron Group Plc Madron Limited Magna Productions Limited Mamba Limited Martino trading Limited Marvel Foundation Limited, (The) Matrix Developments Limited MedicExchange Inc. Melway Limited

*Director*  
Alan Gravett  
(continued)

*Present Directorships/  
Partnerships*

*Past Directorships/  
Partnerships*

Mollingburn Properties Limited  
Mortlake Limited  
Mountain Bear Limited  
Nauticon Limited  
New Century Holding Limited  
Nile Foundation Limited, (The)  
Northside Limited  
Northstar Invest Limited  
Norval Limited  
Novillo Investments Limited  
Nutmeadow Limited  
Ocean Holdings Group Limited  
Orangetown Alliance Inc.  
Pensfield Limited  
Pogo Investments Limited  
Portadown Limited  
Prime Management Limited  
Prime Nominees Limited  
Prime Secretaries Limited  
Prime Securities Limited  
Prime Trust Corporation Limited  
Pusan Limited  
Recife Investments Limited  
Sandcroft Limited  
Sandrift Limited  
Sandy Beach Holdings Limited  
Sandymount Limited  
Saturn 3 Limited  
Savage Property Limited  
Scimitar Enterprises Limited  
Seagas Limited  
Searose Properties Limited  
Selmar Limited  
Semlex International Limited  
Silver Globe Inc.  
Sladstone Investments Limited  
Southton Limited  
Sovereign Consultancy Services  
Limited  
Specified Investments Limited  
Star Developments Limited  
Steventon Limited  
Sunborne Limited  
Tactica Fund PCC Plc  
Tactica Insurance Group  
Tawny Gold Investments  
Limited  
Terry Investments Limited  
Tollingfield Limited  
Tomsk Investments  
Ton Investments Limited  
Totara Investments Limited

<i>Director</i>	<i>Present Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Alan Gravett (continued)		Transfield Limited Treadway Limited Trek Developments Limited Tristar Developments Limited Turnpike Investments Limited Tweson Company Limited Unconditional Holdings Limited Unitrade Properties Limited Upper Valley Properties Limited Westcroft Limited Wigley Holdings Limited Wigram Limited Wild West Trading Company Limited Williams Holdings Limited Woodara Property Limited Xander Limited Zealot Investments Limited
Nicholas Bryant	Electric Warrior Limited Lanner Estates Ltd Luup NV	Contosoft Luup International Luup IP Limited Luup Limited Luup Solutions AS MBC FZ LLC Txt TV Ltd
Clive Hyman	Hyman Capital Services Limited Petrol Ofisi AS	Advanced Oncotherapy Plc CareCapital Limited CareCapital (Southampton) Limited HC Partners SPV1 Limited HC Procurement Solutions Limited Hyman Capital Services Limited Hyman Capital Financial Services Limited Hyman Capital Nominee Services Ltd Hyman Capital Telecoms Services Limited Kensington Partnership (Property) Ltd The Healthcare Property Company (Allesley) Limited The Healthcare Property Company Wales Limited The Healthcare Property Company (West Wirral) Limited The Women's Cancer Centre Limited The CareCatalyst Limited Young Enterprise East of England Limited

<i>Director</i>	<i>Present Directorships/ Partnerships</i>	<i>Past Directorships/ Partnerships</i>
Kung Min Lin	Forbidden City Investments MoneySwap Plc PCG Entertainment Plc PCG Minerals Trading (HK) Ltd PCG Resources Plc Power Capital Financial Trading (HK) Limited Power Capital Forex Management Limited Power Capital Global Limited Power Capital Holdings Limited Wei Sheng Investment and Consultant Limited	Pan Asia Gold Exchange West China Precious Metals Exchange

- 6.2 Richard Poulden was a director of Dellfield Digital Limited at the time of its receivership in 1988. The company was dissolved in 2000.
- 6.3 Richard Poulden and Michael Mainelli were directors of Eyebright Plc when it was placed into administration by a resolution of the directors on 17 December 2004 due to it being unable to or unlikely to have been able to pay its debts.
- 6.4 Nicholas Bryant was a director of Luup Solutions AS (Norway) when it entered voluntary liquidation in 2014.
- 6.5 Nicholas Bryant was a director of Media Dimensions Limited when it was wound up by the Chancery Court on 30 June 1998 upon the petition of the Commissioners of Customs and Excise.
- 6.6 Richard Poulden was a director of PCG Entertainment PLC (Isle of Man) when it was struck off the Isle of Man Companies Registry on 21 January 2014 following the resignation on 20 June 2013 of its registered agent Charterhouse Lombard Limited. The company was struck off because it did not appoint a replacement agent.
- 6.7 Alan Gravett was appointed as a director of Tactica Insurance Group Plc and Tactica Assurance Limited (re-named OldCo (002) Limited) when these companies entered voluntary liquidation in May 2009. His only role was to organise the meetings to facilitate the liquidations of both companies. Alan Gravett was also a director of Acitcat Limited and Tactica Fund PCC Limited (“Fund”) which were placed into members’ voluntary liquidation on 15 June 2012. Tactica Fund PCC Limited was a licensed Experienced Investor Fund and Acitcat Limited its management company. The Fund transferred the underlying assets to investors and was subsequently wound up.
- 6.8 Save as disclosed in this document, none of the Directors has:
- 6.8.1 any unspent convictions relating to indictable offences;
  - 6.8.2 had a bankruptcy order made against him or entered into any individual voluntary arrangements;
  - 6.8.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors’ voluntary liquidation or administration or entered into a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company at the time of, or within the twelve months preceding, such events;
  - 6.8.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;

- 6.8.5 had any asset belonging to him placed in receivership or been a partner of a partnership whose assets have been placed in receivership whilst he was a partner at the time of, or within twelve months preceding, such receivership; or
- 6.8.6 been publicly criticised by any statutory or regulatory authority (including any recognised professional body) or been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 6.9 Save as disclosed in this document (including paragraphs 9 and 14 of this Part V), no Director has been interested in any transaction with the Company, which was unusual in its nature or conditions or significant to the business of the Company during the current or previous financial year or during any previous financial year that remains outstanding or unperformed.
- 6.10 Save as disclosed in this document, no loan has been granted to, nor any guarantee provided for the benefit of, any Director by the Company.
- 6.11 Save as disclosed in this document, the Company is not aware of any person or persons who directly or indirectly, jointly or severally, exercise(s) or could exercise control of the Company or any arrangements the operation of which may, at a subsequent date, result in a change in the control of the Company.
- 6.12 Save as disclosed in this document, there are no contracts, existing or proposed, between any Director and the Company or any subsidiary.
- 6.13 Save as disclosed in this document, there is no arrangement under which any Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

## **7. Directors' Consultancy Agreements and Directors' letters of appointment**

- 7.1 The following are particulars of the Directors' consultancy agreements and letters of appointment with the Company, including details of the Directors' fees and remuneration:
- 7.1.1 Nicholas Bryant's services as Chief Executive Officer of the Company are provided pursuant to an agreement dated 28 November 2014 between the Company and Electric Warrior Limited. Pursuant to the agreement the Company agrees to pay Electric Warrior Limited a fee of US\$252,450 per annum, the Company may settle such fees through the issue of Ordinary Shares at the prevailing market price. The appointment is terminable on six months' notice by either party. Nichols Bryant was appointed as a Director on 9 June 2014.
- 7.1.2 On 28 November 2014 Kung Min Lin agreed to act as Non-Executive Director and Chairman of the Company for a fee of US\$100,000 per annum, the Company may settle such fees through the issue of Ordinary Shares at the prevailing market price. The appointment is terminable on six months' notice by either side. Kung Min Lin was appointed as a Director on 9 December 2013.
- 7.1.3 Richard Poulten's services as Deputy Chairman are provided pursuant to an agreement dated 28 November 2014 between the Company and Black Swan FZE, a wholly owned subsidiary of Black Swan Plc of which Richard Poulten is chairman. Pursuant to the agreement the Company agrees to pay Black Swan FZE a fee of US\$100,000 per annum, the Company may settle such fees through the issue of Ordinary Shares at the prevailing market price. The agreement may be terminated on six months' notice by either party. Richard Poulten was appointed as a Director on 25 May 2012.
- 7.1.4 Clive Hyman's services as Chief Financial Officer of the Company are provided pursuant to an agreement dated 28 November 2014 between the Company and Hyman Capital Services Limited. Pursuant to the agreement the Company agrees to pay Hyman Capital Services Limited a fee of US\$130,000 per annum, the Company may settle such fees through the issue of Ordinary Shares at the prevailing market price. The appointment is

terminable on six months' notice by either party. Clive Hyman was appointed as a Director on 9 June 2014.

- 7.1.5 Michael Mainelli's services as a Non-Executive Director of the Company are provided pursuant to an agreement dated 28 November 2014 between the Company and Z/Yen Group Limited. Pursuant to the agreement the Company agrees to pay Z/Yen Group Limited a fee of US\$20,000 per annum, the Company may settle such fees through the issue of Ordinary Shares at the prevailing market price. The appointment is terminable on three months' notice by either party. Michael Mainelli was appointed as a Director on 14 July 2014.
- 7.1.6 On 28 November 2014 Alan Gravett agreed to act as a Non-Executive Director of the Company for a fee of US\$12,500 per annum, the Company may settle such fees through the issue of Ordinary Shares at the prevailing market price. The appointment is terminable on three months' notice by either party. Alan Gravett was appointed as a Director on 25 May 2012.
- 7.2 Pursuant to each of the agreements referred to above, payment of fees and/or salary may be paid in Ordinary Shares as an alternative to cash, at the election of the Company.
- 7.3 Save as set out above, there are no existing or proposed service contracts between any of the Directors and the Company which provide for benefits upon termination of employment.

## **8. Summary of Memorandum and Articles of Association**

The memorandum of association of the Company sets out a list of objects for which the Company has been established including acting as a general commercial company. For details of the objects, please see the copy of the memorandum of association of the Company which is available for inspection at the Company's website [www.pcge.com](http://www.pcge.com).

The principal objective of this paragraph 8 is to provide an overview of the Articles. Because the information set out below is in summary form, it does not contain all the information that may be important. A copy of the Articles is available for inspection at the Company's website [www.pcge.com](http://www.pcge.com).

The Articles were adopted with effect from the date of incorporation and amended on 14 November 2014. The following is a summary of certain provisions of the Articles:

### *8.1 Changes in capital*

The Company may from time to time by ordinary resolution increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall prescribe.

The Company may by ordinary resolution:

- 8.1.1 consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- 8.1.2 sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the memorandum of association subject, nevertheless, to the provisions of the Gibraltar Act;
- 8.1.3 cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.
- 8.1.4 The Company may by special resolution reduce its share capital, any capital redemption reserve fund or any share premium account in any manner and with, and subject to, any incident authorised, and consent required, by law.
- 8.1.5 In summary, under the Articles, the Directors are not permitted to allot and issue any shares without first seeking Shareholder approval. Shareholder approval can, however, be given in the form of a resolution of the members in a general meeting, authorising the exercise generally by the Directors of power to allot shares for up to a five year period. Resolutions were passed by the members on 26 September 2013 authorising the directors

to allot up to a maximum aggregate amount of 999,999,993 shares on a non pre-emptive basis without further Shareholder approval until 26 September 2018.

## 8.2 *Transfer of shares*

The instrument of transfer of any share held in certificated form shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of a share until the name of the transferee is entered in the register of members in respect thereof.

Subject to such of the restrictions of the Articles as may be applicable, any member may transfer all or any of his shares by instrument in writing in any usual or common form or any other form which the Directors may approve.

The Directors may decline to register the transfer of a share (not being a fully paid share) to a person of whom they shall not, acting reasonably, approve, and they may also decline to register the transfer of a share on which the Company has a lien.

The Directors may also decline to recognise any instrument of transfer unless:

8.2.1 the instrument of transfer of any certificated share is accompanied by the certificate of the shares to which it relates, and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer; and

8.2.2 the instrument of transfer is in respect of only one class of share.

If the Directors refuse to register a transfer they shall within 2 months after the date on which the transfer was lodged with the Company send to the transferor and transferee notice of the refusal.

The registration of transfers may be suspended at such times and for such periods as the Directors may from time to time determine, provided always that such registration shall not be suspended in any year for more than 30 days or, where the period for closing the register of members is extended in respect of that year under the Gibraltar Act, for more than that extended period.

The Company shall be entitled to charge a fee not exceeding £1 on the registration of every probate, letters of administration, certificate of death or marriage, power of attorney, or other instrument.

## 8.3 *Procedure for calling general meetings*

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings in that year, and shall specify the meeting as such in the notices calling it; and not more than 15 months shall elapse between the date of one annual general meeting of the Company and that of the next. The annual general meeting shall be held at such time and place as the Directors shall appoint.

All general meetings other than annual general meetings shall be called extraordinary general meetings.

The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or in default, may be convened by such requisitionists, as provided by the Gibraltar Act. If at any time there are not within Gibraltar sufficient Directors capable of acting to form a quorum, any Director or any one member of the Company may convene an extraordinary general meeting in the same manner as nearly as possible as that in which meetings may be convened by the Directors.

An annual general meeting and a meeting called for the passing of a special resolution shall be called by 21 days' notice in writing at the least, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall be called by 14 days' notice in writing at the least. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in the manner hereinafter mentioned or in such other manner, if any, as may be

prescribed by the Company in general meeting, to such persons as are, under the Articles, entitled to receive such notices from the Company.

Provided that a meeting of the Company shall, notwithstanding that it is called by shorter notice than that specified in the Articles, be deemed to have been duly called if it is so agreed:

8.3.1 in the case of a meeting called as the annual general meeting, by all the members entitled to attend and vote thereat; and

8.3.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95 per cent. in nominal value of the shares giving that right.

The accidental omission to give notice of a meeting to, or the non-receipt of notice of a meeting by, any person entitled to receive notice shall not invalidate the proceedings at that meeting.

Subject to any rights or restrictions for the time being attached to any class or classes of shares, on a show of hands every member present in person shall have one vote, and on a poll every member shall have one vote for each share of which he is the holder.

In the case of joint holders the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the register of members.

A member of unsound mind, or in respect of whom an order has been made by any court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll, by his committee, receiver, curator bonis, or other person in the nature of a committee, receiver or curator bonis appointed by that court, and any such committee, receiver, curator bonis or other person may, on a poll, vote by proxy.

No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid.

No objection shall be raised to the qualification of any voter except at the meeting or adjourned meeting at which the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection made in due time shall be referred to the chairman of the meeting, whose decision shall be final and conclusive.

On a poll votes may be given either personally or by proxy.

The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under seal, or under the hand of an officer or attorney duly authorised. A proxy need not be a member of the Company.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of that power or authority shall be deposited at the registered office of the Company or at such other place within Gibraltar as is specified for that purpose in the notice convening the meeting, not less than 48 hours before the time for holding the meeting or adjourned meeting, at which the person named in the instrument proposes to vote, or, in the case of a poll, not less than 24 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid.

The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of the share in respect of which the proxy is given, provided that no notice in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at the office before the commencement of the meeting or adjourned meeting at which the proxy is used.

Any corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

#### 8.4 *Qualification of Directors*

The shareholding qualification for Directors may be fixed by the Company in general meeting, and unless and until so fixed no qualification shall be required.

#### 8.5 *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money, and to mortgage or charge all or any part of its undertaking, property and assets (both present and future), including its uncalled capital and, subject to the Gibraltar Act, to issue debentures and other securities, whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party.

#### 8.6 *Directors' remuneration*

The remuneration of the Directors shall from time to time be determined by the Company in general meeting. Such remuneration shall be deemed to accrue from day to day. The Directors may also be paid all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or in connection with the business of the Company.

#### 8.7 *Directors' interests*

A Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract (being a contract of significance in relation to the Company's business) with the Company shall, if his interest in the contract or proposed contract is material, declare the nature of his interest at a meeting of the Directors in accordance with the Gibraltar Act.

A Director, having declared the nature of his interest at a meeting of the Directors, may vote in respect of a matter in which he is so interested and may be counted in the quorum of that meeting.

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realized by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established.

A Director, notwithstanding his interest, may be counted in the quorum present at any meeting whereat he or any other Director is appointed to hold any such office or place of profit under the Company or whereat the terms of any such appointment are arranged, and he may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms thereof.

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director; provided that nothing herein contained shall authorise a Director or his firm to act as auditor to the Company.

## 8.8 *Retirement of Directors*

Subject to the provisions in the Articles, at the annual general meeting of the Company to be held in 2012, and at the annual general meeting in every subsequent year, one-third of the Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest one-third, shall retire from office.

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

A retiring Director shall be eligible for re-election.

The Company at the meeting at which a Director retires in the manner aforesaid may fill the vacated office by electing a person thereto, and in default the retiring Director shall if offering himself for re-election be deemed to have been re-elected, unless at such meeting it is expressly resolved not to fill such vacated office or unless a resolution for the re-election of such Director shall have been put to the meeting and lost.

No person other than a Director retiring at the meeting shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless not less than 3 nor more than 21 days before the date appointed for the meeting there shall have been left at the registered office of the Company notice in writing, signed by a member duly qualified to attend and vote at the meeting for which such notice is given, of his intention to propose such person for election, and also notice in writing signed by that person of his willingness to be elected.

The Company may from time to time by ordinary resolution increase or reduce the number of Directors, and may also determine in what rotation the increased or reduced number is to go out of office.

The Directors shall have power at any time, and from time to time, to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors, but so that the total number of Directors shall not at any time exceed the number fixed in accordance with the Articles (being 2 Directors in accordance with Article 104). Any Director so appointed shall hold office only until the next following annual general meeting, and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting.

The Company may by special resolution remove any Director before the expiration of his period of office notwithstanding anything in the Articles or in any agreement between the Company and such Director. Such removal shall be without prejudice to any claim such Director may have for damages for breach of any contract of service between him and the Company.

The Company may by ordinary resolution appoint another person in place of a Director removed from office in accordance with the Articles, and without prejudice to the powers of the Directors under the Articles the Company in general meeting may appoint any person to be a Director either to fill a casual vacancy or as an additional Director. A person appointed in place of a Director so removed or to fill such a vacancy shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director.

## 8.9 *Proceedings of Directors*

A person entitled to be present at a meeting of the board or of a committee of the board shall be deemed to be present for all purposes if he is able (directly or by telephonic communication) to speak to and be heard by all those present or deemed to be present simultaneously, provided that he is not actually present in the United Kingdom at that time. A director so deemed to be present shall be entitled to vote and be counted in a quorum accordingly. Such a meeting shall be deemed to take place where it is convened to be held or (if no director is present in that place) where the

largest group of those participating is assembled, or, if there is no such group, where the chairman of the meeting is.

#### *8.10 Dividends*

The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the directors.

The Directors may from time to time pay to the members such interim dividends as appear to the Directors to be justified by the profits of the Company.

No dividend shall be paid otherwise than out of profits in accordance with the provisions of the Gibraltar Act.

The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of calls shall be treated for the purposes of the Articles, as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.

The Directors may deduct from any dividend payable to any member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.

Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other company or in any one or more of such ways, and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any members upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

Any dividend, bonus, interest or other moneys payable in cash in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the register of members or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends, bonuses, interest or other moneys payable in respect of the shares held by them as joint holders.

No dividend shall bear interest against the Company.

A Gibraltar company does not make a distinction between resident and non resident holders for the purposes of the declaration of a dividend. It is up to the individual shareholder to take tax advice as to how they want to receive the dividend.

The Company may cease sending cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise the power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. The entitlements conferred on the Company by this paragraph in respect of any member shall cease if such member claims a dividend or cashes a dividend warrant or cheque.

#### *8.11 Requirement to notify or disclose Shareholder interests*

Subject to any requirement under the Gibraltar Act the provisions of Chapter 5 of the Disclosure Rules and Transparency Rules which relate to the requirement of persons to disclose their interests in shares, shall apply to the Company as if its Home State (as defined in such rules) was the United Kingdom and such rules shall be deemed to be incorporated into the Articles and shall bind the Company and the Shareholders (other than the Depositary).

Subject to any requirement under the Gibraltar Act, the provisions of section 793 of the Act shall be deemed to be incorporated into the Articles and shall bind the Company and the shareholders and references in such section to a public company shall be deemed to be references to the Company.

The provisions of Rule 17 of the AIM Rules for Companies in relation to the disclosure of significant shareholdings (as amended from time to time) shall be deemed incorporated by reference into the Articles and, accordingly, notwithstanding the Gibraltar Act, the significant shareholder notification rules set out in Rule 17 of the AIM Rules for Companies (as amended from time to time) shall apply to the Company.

#### *8.12 Return of capital on winding up*

If the Company shall be wound up the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Gibraltar Act, divide amongst the members in specie or kind the whole or any part of the assets of the Company (whether they shall consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, shall think fit, but so that no member shall be compelled to accept any shares or other securities whereon there is any liability.

#### *8.13 Purchase of own shares*

The Company may, subject to section 105 of the Gibraltar Act, purchase its own shares (including any redeemable shares) and such purchases may be made either out of or otherwise than out of the distributable profits of the Company or the proceeds of a fresh issue of shares and the Company may purchase its own shares (including any redeemable shares) without restriction including in order to: (a) settle or compromise a debt or claim; (b) eliminate a fractional share or fractional entitlement to or of shares; (c) fulfil an agreement in which the Company has an option, or under which the Company is obliged, to purchase shares under an employee share scheme which had previously been approved by the Company in general meeting; or (d) comply with an order of the court.

#### *8.14 Conversion of shares into stock*

The Company may, subject to section 131 of the Gibraltar Act, by ordinary resolution convert any paid-up shares into stock, and reconvert any stock into paid-up shares of any denomination. The holders of stock may transfer the same, or any part thereof, in the same manner, and subject to the same Articles, as and subject to which the shares from which the stock arose might previously to conversion have been transferred, or as near thereto as circumstances admit; and the directors may from time to time fix the minimum amount of stock transferable but so that such minimum shall not exceed the nominal amount of the shares from which the stock arose. The holders of

stock shall, according to the amount of stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of stock which would not, if existing in shares, have conferred that privilege or advantage. Such of the Articles of the Company as are applicable to paid-up shares shall apply to stock, and the words “share” and “shareholder” therein shall include “stock” and “stockholder”.

#### *8.15 Pre-emption rights*

There are no pre-emption rights applicable to the Company in relation to the allotment and/or issue of new shares.

#### *8.16 Variation of rights*

Subject to the provisions of the Gibraltar Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths in nominal value of the issued shares of that class, or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

Section 144 of the Gibraltar Act states that where a company’s articles do not contain provisions with respect to the variation of rights, those rights may only be varied if the holders of three-quarters in nominal value of the issued shares of that class agree in writing or an extraordinary resolution is passed at a separate general meeting of the holders of the shares of that class. An extraordinary requires the same majority as a special resolution, namely 75 per cent., but simply requires notice to be given at some point specifying the intention to pass a resolution, rather than 21 days’ notice as required for a special resolution.

### **9. Material contracts**

#### ***Material contracts not in the ordinary course of business***

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company or any member of the Group in the two years immediately prior to the date of this document, and are, or may be, material:

*9.1* The Placing Agreement, further details of which are set out in paragraph 10 of Part V.

#### *9.2 Sanlam Securities Warrant Agreement*

Pursuant to a warrant instrument entered into by the Company dated 28 November 2014, the Company has granted Sanlam Securities Limited the right, conditional upon Admission, to subscribe for new Ordinary Shares representing one per cent. of the Enlarged Share Capital of the Company including any options or warrants exercisable at prices below the Issue Price to be exercised at the Issue Price at any time between the date of issue and the date falling on the fifth anniversary of Admission.

#### *9.3 Beaufort Warrant Agreement*

Pursuant to a warrant instrument entered into by the Company dated 28 November 2014, the Company has granted Beaufort the right, conditional upon Admission, to subscribe for new Ordinary Shares representing five per cent. of the total number of Placing Shares placed by Beaufort to be exercised at the Issue Price at any time between the date of issue and the date falling on the fifth anniversary of Admission.

#### *9.4 Lock-in and orderly market agreements*

The lock-in orderly market agreements described in paragraph 11 of this Part V.

#### 9.5 *Nomad agreement*

An agreement dated 28 November 2014 made between (1) the Company, (2) Sanlam Securities, and (3) the Directors, whereby, conditional upon Admission, Sanlam Securities has agreed to act as nominated adviser to the Company for an annual fee of £30,000 (together with out of pocket expenses), payable *pro rata* quarterly in advance, for a minimum period of 18 months from Admission. The agreement is subject to termination on three months' notice by either party at any time after the initial 18 month period.

#### 9.6 *Broker agreement*

An agreement dated 3 September 2014 made between (1) the Company and (2) Beaufort Securities Limited, whereby, conditional upon Admission, Beaufort Securities Limited has agreed to act as broker to the Company for an annual fee of £30,000 (together with out of pocket expenses), payable *pro rata* quarterly in advance, with the first payment becoming due on Admission. The agreement is subject to termination on three months' notice by either party at any time after the initial 12 month period.

#### 9.7 *Loan Note*

The Company issued a loan note to Kolarmy Technology Inc on 10 May 2014 (as amended) in the principal amount of up to US\$700,000 which is repayable with accrued interest in accordance with the terms of such loan note; the loan note bears interest at the rate of 1 per cent per month on the actual principal amount outstanding on redemption and the loan is repayable at the option of the Noteholder either upon the happening of an event of default as referred to in the loan note or on 1 January 2017. The loan note is unsecured.

The Company issued a further loan note to Kolarmy Technology Inc on 2 October 2014 in the principal amount of up to US\$1,000,000 which is repayable with accrued interest in accordance with the terms of such loan note; the loan note bears interest at the rate of 6 per cent. per annum on the actual principal amount outstanding each month until redemption and the loan is repayable at the option of the Noteholder either upon the happening of an event of default as referred to in the loan note or on the date falling 18 months plus 1 day from Admission. The Noteholder shall have the right by giving not less than two weeks' notice in writing to the Company at any time following Admission to require the allotment to the Noteholder of fully paid Ordinary Shares in exchange for and in satisfaction of all or part of the loan note and interest thereon. The number of such Ordinary Shares to be so allocated shall be calculated by the Company in its absolute discretion based on the average closing price of the Company's shares in the preceding 5 days of trading prior to the date of the Noteholder's notice to the Company requiring such allotment to the Noteholder. The loan note is unsecured. The loan note supersedes and replaces any previous loan notes between the Company and Kolarmy Technology Inc.

#### 9.8 *Depositary agreement*

Under a depositary agreement dated 20 November 2014 the Company has appointed the Depositary to provide depositary services in accordance with a trust deed poll dated 20 November 2014. The Depositary has determined to constitute and issue from time to time the Depositary Interests with a view to facilitating the indirect holding of and settlement of transactions by participants in CREST.

#### 9.9 *Registrar agreement*

Under a registrar agreement dated 23 October 2014 between (1) the Company and (2) the Registrar, the Registrar has agreed to provide services connected with the maintenance of the Company's register, including where shares are issued or transferred and dividends are declared by the Board.

### 9.10 Share Sale Agreement

Pursuant to a share sale agreement dated 20 December 2013 between the Company and each member of Hong Kong Strategic Services Limited (together the “Members” and each a “Member”) each Member agreed to transfer their interest in Hong Kong Strategic Services Limited’s shares to the Company in consideration of receiving such number of shares in the Company (the “**HKSS Consideration Shares**”) as is set out in the Share Sale Agreement, amounting in total to 2,685,807 shares in the Company.

On 10 October 2014 the Company entered into a letter of variation to the Share Sale Agreement with the Members pursuant to which the Company and the Members agreed as follows:

- the Company may in its absolute discretion, by way of further consideration in connection with the Share Sale Agreement, allot and issue to the Members such number of additional shares credited as fully paid up in the capital of the Company as the Company may determine in its absolute discretion (HKSS Further Consideration Shares);
- if the Company does allot and issue such HKSS Further Consideration Shares then it shall allot such HKSS Further Consideration Shares to the Members:
  - o as nearly as the Company may determine in its absolute discretion *pro rata* to the HKSS Consideration Shares issued to each Member under Item 3 in Schedule 2 of the Share Sale Agreement;
  - o so that the HKSS Consideration Shares and the HKSS Further Consideration Shares shall together be determined in the Company’s absolute discretion to have an aggregate value equal to £4,496,894 (and for these purposes the Company may have regard in its absolute discretion to, *inter alia*, the price at which the Company may agree to allot and issue shares conditional upon Admission); and
- the percentage column set out in the table in Item 2 of Schedule 2 of the Share Sale Agreement shall be deemed to be of no force or effect and shall be deemed deleted for all purposes.

### 9.11 Framework Agreement

On 3 November 2014 the Company entered into the Framework Agreement with HPC, HLC, the shareholders of HPC, the shareholders of HLC and Sihai Geju. Pursuant to the Framework Agreement, HPC, HLC and their respective shareholders have granted Sihai Geju option rights (the “**Option Rights**”) to purchase 10 per cent. of the equity of each of HPC and HLC from Haikou Aoshi Investment Management Co., Ltd for US\$3,000,000 in cash and/or shares pursuant to capital sale agreements (“Capital Sale Agreements”) to be entered into by HPC, HLC, Haikou Aoshi Investment Management Co., Ltd and Sihai Geju. The Option Rights are exercisable by no later than six months from the date of the Framework Agreement. Sihai Geju will immediately prior to Admission despatch notice to exercise the Option Right.

Sihai Geju’s entitlement to exercise the Option Rights is conditional upon the agreement of amendments to the articles of each of HPC and HLC so as to be in a form and substance satisfactory to Sihai Geju.

Any consideration payable by the Company may be satisfied in the Company’s absolute discretion either in RMB cash and/or by the allotment of such number of the Company’s shares as shall have a market value (as determined by the Company acting reasonably) equal to US\$3,000,000. Where any part of the consideration is satisfied by the Company by the allotment of the Company’s shares, the Company shall be paid an amount equal to the par value of the Company shares to be allotted.

Under the Framework Agreement, each party (other than the Company) agrees that it will not dispose of the legal, beneficial or any other interest whatsoever in any shares (or entitlement to

shares) in the capital of the Company held by it from time to time save with the prior written consent of the Company and its nominated adviser/broker from the date of such allotment for a period of 12 months from the date of the allotment of such shares. In addition, for a further period of 12 months, it will not carry out such a disposal other than through the Company's nominated adviser/broker and then only if such disposal would not give rise to a disorderly market in the Company's shares. The Framework Agreement provides that Company's nominated adviser and/or broker shall be entitled to enforcement rights as if they were parties to the Framework Agreement.

The Framework Agreement is terminable immediately by notice by Sihai Geju and/or the Company on the occurrence of certain events, including:

- the HLC/HPC shareholders failing to fully discharge their obligations under the Framework Agreement, including the waiver of any restrictions on transfer (including rights of pre-emption) which may affect or prevent the exercise of any of the Option Rights;
- termination of the relevant Capital Sale Agreement by Sihai Geju as a result of a breach of a provision of the relevant Capital Sale Agreement by either HPC or HLC (as relevant) and/or Haikou Aoshi Investment Management Co., Ltd;
- following the exercise of any of the Option Rights, completion of the registration of Sihai Geju as owner of the relevant percentage of the equity interest in either HPC or HLC not occurring within 20 Business Days of the date of the relevant Capital Sale Agreement.

The Framework Agreement supersedes and extinguishes any previous agreement between HLC, HPC, the shareholders of HPC, the shareholders of HLC and Sihai Geju in respect of options over the share capital of HLC and HPC, and such agreement has ceased to have any further force or effect.

#### *9.12 HPC Cooperation Agreement*

On 3 November 2014 Sihai Geju entered into the HPC Cooperation Agreement with HPC, pursuant to which Sihai Geju and HPC agreed a strategy for collaborating in order to maximise the growth potential of each business. Please refer to paragraph 3 of Part I of this document for further details of the strategy. The HPC Cooperation Agreement is for a term of 5 years (the "Effective Term") from the date the agreement is signed by the duly authorised representatives of both parties and Sihai Geju's option to acquire equity in HPC pursuant to the Framework Agreement has taken effect, which for the avoidance of doubt shall mean that the options have been exercised pursuant to the Framework Agreement, and will be automatically renewed for another five years at the end of each Effective Term unless terminated by either party giving 6 months' written notice. The HPC Cooperation Agreement is also terminable by mutual written agreement of the parties, and will be immediately terminated should:

- one party breach the terms of the HPC Cooperation Agreement (such breach not being satisfactorily remedied within 30 days); or
- one party become insolvent, enters bankruptcy or enters dissolution and/or liquidation; or
- any licence held by either party which is necessary for conducting any business contemplated by the HPC Cooperation Agreement expires, is revoked or otherwise becomes invalid.

#### *9.13 HLC Cooperation Agreement*

On 3 November 2014 Sihai Geju entered into the HLC Cooperation Agreement with HLC, pursuant to which Sihai Geju and HLC agreed a strategy for collaborating in order to maximise the growth potential of each business. Please refer to paragraph 3 of Part I of this document for further details of the strategy. The HLC Cooperation Agreement is for a term of 5 years (the "Effective Term") from the date the agreement is signed by the duly authorised representatives of

both parties and Sihai Geju's option to acquire equity in HLC pursuant to the Framework Agreement has taken effect, which for the avoidance of doubt shall mean that the options have been exercised pursuant to the Framework Agreement, and will be automatically renewed for another five years at the end of each Effective Term unless terminated by either party giving 6 months' written notice. The HLC Cooperation Agreement is also terminable by mutual written agreement of the parties, and will be immediately terminated should:

- o one party breach the terms of the HLC Cooperation Agreement (such breach not being satisfactorily remedied within 30 days), or
- o one party become insolvent, enters bankruptcy or enters dissolution and/or liquidation; or
- o any licence held by either party which is necessary for conducting any business contemplated by the HPC Cooperation Agreement expires, is revoked or otherwise becomes invalid.

9.14 On 18 December 2013 the Company allotted and issued 373,657,097 Ordinary Shares of £0.001 each to Forbidden City Ltd and 373,657,096 Ordinary Shares of £0.001 each to Black Swan Plc in settlement of two identical invoices for £1,494,628.38 each covering set up costs, corporate finance advice and general investment costs incurred in the creation of the Group's underlying businesses over a three year period.

#### 9.15 *Share Option Scheme*

The Directors believe that equity incentives are, and will continue to be, an important means of retaining, attracting and motivating employees, consultants and professional advisers to the Group and have adopted the Share Option Scheme for that purpose.

At Admission the Directors have not granted any options under the Share Option Scheme or otherwise.

It is the intention of the Directors that options will be granted but that the total of all outstanding options from time to time will not exceed 15.0 per cent. of the issued share capital of the Company from time to time. The exercise price will be the then prevailing market price at the date of grant.

#### 9.16 *Subscription Agreement*

On 28 November 2014 the Company entered into the Subscription Agreement with YTB as agent for and on behalf of the Investor in respect of the allotment of the Subscription Shares for a subscription amount of US\$3.1 million. Pursuant to the Subscription Agreement it has been agreed that the Subscription is conditional on publication by the Company by no later than the date falling 6 months after the date of the Subscription Agreement of the "10 Day Announcement" i.e. the information required to be provided by the Company pursuant to Rule 2 and Schedule 1 of the AIM Rules for Companies in connection with the proposed Admission, and conditional on Admission occurring no later than seven months after the date of the Subscription Agreement.

#### 9.17 *Yorkville SEDA*

Pursuant to the Yorkville SEDA between the Company and YA Global Master SPV (the "Investor") dated 27 November 2014, the Investor agrees to subscribe for up to £2 million in respect of Ordinary Shares (the Commitment Amount), and to make this facility available for 36 months from the date of the Yorkville SEDA. Unless otherwise agreed between the parties, the amount of an advance cannot exceed:

- (a) an amount equal to 200 per cent. of the average of the Daily Value Traded (as defined therein) for each of the ten Trading Days (as defined therein) prior to the date on which the Company delivers an Advance Notice (as defined therein) to the Investor, or such other amount as may be agreed upon by mutual consent of the parties;

- (b) such amount as would result in the Investor holding more than 2.99 per cent. of the total issued ordinary share capital of the Company; or
- (c) such amount as, together with the aggregate of all previous amounts paid by the Investor to the Company under the Yorkville SEDA, would exceed £2 million.

The number and timing of advances to be made pursuant to the Yorkville SEDA shall be at the discretion of the Company. Advances are subject to the satisfaction of certain conditions precedent including there being no breach of warranties, no material adverse change in respect of the Company and no material breach by the Company of the covenants and obligations of the Yorkville SEDA.

The Investor may terminate or suspend the Yorkville SEDA by written notice to the Company if a material adverse change or an insolvency event occurs in relation to the Group which is considered by the Investor to be materially adversely prejudicial to the Group, or a material breach of the Yorkville SEDA (including a breach of warranty) by the Company occurs. The Company may terminate the Yorkville SEDA upon 15 days' written notice by the Company to the Investor provided that all Ordinary Shares due to be allotted and issued to the Investor have been allotted, issued, admitted and delivered, and the Company has paid all amounts due to the Investor.

The Company has covenanted to the Investor that it will maintain the admission of the Ordinary Shares to trading on AIM; comply with applicable laws; preserve licences and other authorities as required by the Group to carry out its business, and to maintain the corporate existence of each member of the Group; and immediately notify the Investor if the London Stock Exchange notifies any potential or actual suspension or de-listing of the Ordinary Shares from trading on AIM.

The Company also covenants to the Investor that it shall not enter into any agreements similar to the Yorkville SEDA with any third party; nor effect a consolidation event during the Pricing Period or the period of five trading days following a Pricing Period.

Pursuant to the Yorkville SEDA, the Company agrees to pay an implementation fee of £100,000 to be satisfied at its election either:

- in cash on the date of the Admission;
- in cash out of the proceeds of an advance provided that it delivers an appropriate Advance Notice to the Investor on or before the date of Admission, in which case the Investor shall be entitled to retain the implementation fee; or
- by the issue of the Yorkville Implementation Fee Shares.

In addition the Company agrees to pay the Investor's UK legal costs and expenses of £7,500 plus applicable VAT.

The Ordinary Shares will be issued pursuant to the Yorkville SEDA at 95 per cent. of the lowest daily VWAP of the Ordinary Shares for the Pricing Period prior to the advance notice that is greater or equal to the minimum acceptable price set by the Company.

The minimum acceptable price may not be more than 95 per cent. of the VWAP of the Ordinary Shares on the date immediately prior to the advance notice. The advance amount will automatically be reduced by up to 10 per cent. for each trading day during the Pricing Period that the VWAP is below the minimum acceptable price.

#### 9.18 *HWB engagement*

On 19 September 2014, the Company entered into a letter of engagement with Howes Williams Bowers, a law firm established under the laws of Hong Kong, with its legal address at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong SAR ("**HWB**") (the "**HWB Engagement Letter**"). Pursuant to the HWB Engagement Letter, HWB agreed to provide certain legal services relating to HKSS, Jingtuo and Sihai Geju for an estimated service fee of between HK\$120,000 and HK\$150,000.

On 19 September 2014, HKSS appointed HWB (Corporate Services) Limited, a company established under the laws of Hong Kong, with its legal address at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong SAR (“**HWBCS**”) to act as HKSS’ company secretary (the “**HWBCS Appointment**”). Under the terms of the HWBCS Appointment, HWBCS agreed to provide certain company secretarial services to HKSS for a fee of HK\$8,000 per annum, and also to provide a registered office at 27/F Alexandra House, 18 Chater Road, Central, Hong Kong SAR for an additional fee of HK\$3,000 per annum. The HWBCS Appointment is terminable by the Company at any time.

Both the HWB Engagement Letter and the HWBCS Appointment have now been terminated.

*9.19 Retainer Agreement with Commerce & Finance Law Offices*

On 16 September 2014, the Company entered into a retainer agreement with Commerce & Finance Law Offices, a law firm established under the laws of the PRC, with its legal address at 6F NCI Tower, Jianguomenwai Avenue, Beijing 100022, PRC (“**C&F**”) (the “**Retainer Agreement**”). Pursuant to the Retainer Agreement, C&F agreed to provide certain legal services relating to Jingtuo and Sihai Geju for a legal service fee of RMB 2,000 per hour. The Company can suspend or terminate the Retainer Agreement at any time giving prior written notice to C&F.

*9.20 Agreement with damson pr*

On 26 May 2014, the Company entered into a letter of engagement with damson pr (the “**PR Engagement Letter**”). Pursuant to the PR Engagement Letter, damson pr shall provide the Company with PR and marketing services for a fee of £20,000 up to the date of Admission, and on-going fees thereafter of £1,750 per month. The Company may terminate the PR Engagement Letter on one month’s notice.

9.21 On 10 October 2014 the Company allotted and issued 107,100,000 Ordinary Shares in the share capital of the Company in settlement of an invoice in the sum of US\$280,000 in respect of advisory services and such shares were allotted as follows:

- 85,680,000 to Kaitian Investment Company Limited
- 10,710,000 to Jingo Investments Limited
- 10,710,000 to Zippy Management Limited

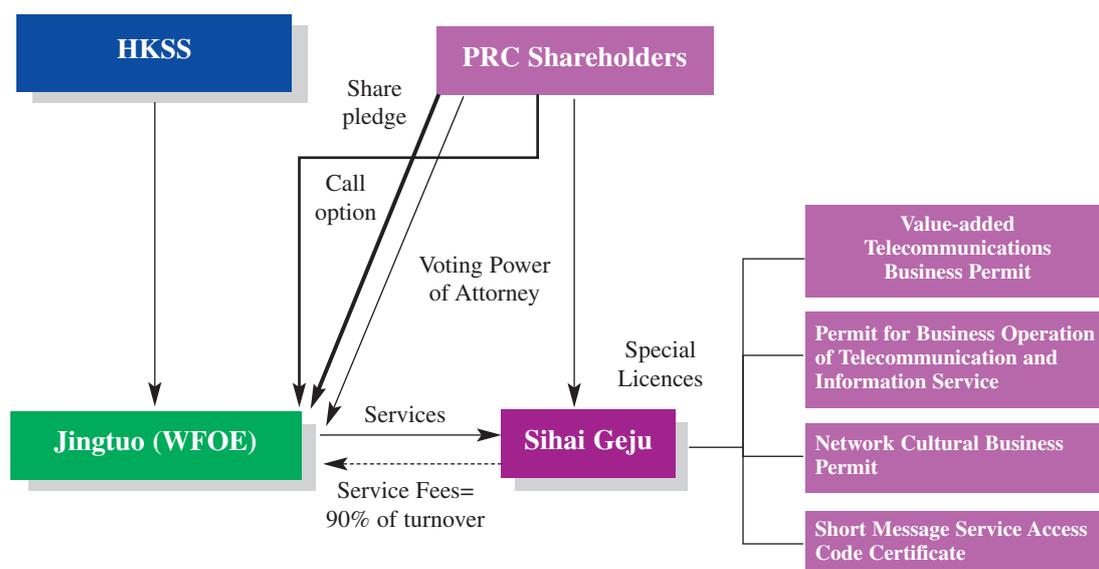
9.22 Pursuant to an invoice dated 1 August 2014 the Company paid Kaitian Investment Company Limited US\$200,000 in settlement of such invoice in respect of advisory services.

*Other contracts not in the ordinary course of business*

The following contracts, not being contracts in the ordinary course of business, have been entered into by the Company or any member of the Group and contain provisions under which any member of the Group has any obligation or entitlement which is material to the Group as at the date of this document:

## 9.23 VIE Arrangements

The following diagram illustrates the VIE Arrangements between HKSS/Jingtuo, Sihai Geju and the PRC Shareholders:



The VIE Arrangements consist of the following:

9.23.1 Two loan agreements entered into on 30 August 2011 and reinstated on 4 November 2014 pursuant to which Jingtuo (or HKSS as Jingtuo's sole promoter in relation to performance of Jingtuo's obligations prior to the incorporation of Jingtuo) agreed to lend the PRC Shareholders the following for the purposes of acquiring the entire issued share capital of Sihai Geju:

Borrower	Amount	Purpose
Hong Lu	RMB 240,000	Acquiring 60% of the equity of Sihai Geju
Min Zhang	RMB 160,000	Acquiring 40% of the equity of Sihai Geju

The principal terms of the loans are as follows:

- Term: fifty years from 30 August 2011, renewing automatically for another ten years upon expiry and each subsequent expiry. However, where the PRC Shareholders transfer the interests in Sihai Geju for whatever reason, the proceeds received must first be used to repay the loans immediately. All loans are immediately due if the PRC Shareholders breach the other contracts entered into as part of the VIE Arrangements (the Exclusive Call Option Agreement, Business Operation Agreement and Exclusive Technology Supporting and Consultant Services Agreement as described below);
- Interest: Generally free of interest except that:
  - where Jingtuo exercises its call option under the Exclusive Call Option Agreement at a price that is higher than the original price of the shares, the PRC Shareholders shall pay interest on the loans at an amount equal to the amount he or she actually receives after tax;
  - in the event of the PRC Shareholders and/or Sihai Geju breaching the Exclusive Call Option Agreement, Business Operation Agreement or the Exclusive Technology Supporting and Consultant Services Agreement, the PRC Shareholders shall pay to Jingtuo interest calculated at four times the bank loan interest rate for the same period of the loans and compound interest is calculated by year;

9.23.2 A business operation agreement dated 30 August 2011 pursuant to which Jingtuo (or HKSS as Jingtuo's sole promoter in relation to performance of the agreement prior to the incorporation of Jingtuo) is entitled to direct and supervise all business operation activities of Sihai Geju. In accordance with the business operation agreement, Sihai Geju shall:

- a. employ and dismiss Sihai Geju employees as suggested by Jingtuo;
- b. execute Jingtuo's advice on the daily operational management and financial management systems of Sihai Geju; and
- c. vote for directors, chairman of the board, general manager, general financial officer and other senior managers recommended by Jingtuo.

In addition, the terms of the business operation agreement prevent Sihai Geju and the PRC Shareholders from carrying out any transaction that may substantially affect the assets, business, personnel, obligations, rights or the operation of Sihai Geju without the prior written consent of Jingtuo.

9.23.3 A power of attorney dated 30 August 2011 given by the PRC Shareholders appointing Jingtuo (or HKSS as Jingtuo's sole promoter in relation to performance of Jingtuo's obligations prior to the incorporation of Jingtuo) as agent. The power of attorney will remain in force until completion of the transfer of the equity interest in Sihai Geju to Jingtuo.

9.23.4 An exclusive technology supporting and consultant services agreement dated 30 August 2011, pursuant to which Jingtuo (or HKSS as Jingtuo's sole promoter in relation to performance of Jingtuo's obligations prior to the incorporation of Jingtuo) shall provide to Sihai Geju the following exclusive services for as long as Sihai Geju continues to operate:

- a. computer software and network technology support;
- b. network advertisement business support;
- c. technology training; and
- d. technology consultation.

The fee for the provision of such services is 90 per cent. of Sihai Geju's turnover.

9.23.5 A share pledge agreement entered into on 30 August 2011 and reinstated on 4 November 2014 pursuant to which the PRC Shareholders pledged their entire equity interest in Sihai Geju to Jingtuo. The share pledge agreement will remain in force until three years after the due date of the last secured debt under the loan agreements described in paragraph 9.23.1 of this Part V or the due date of the last outstanding obligation under any of the other VIE agreements, whichever is the later.

9.23.6 An exclusive call option agreement entered into on 30 August 2011 and reinstated on 4 November 2014 pursuant to which the PRC Shareholders grant Jingtuo (and/or any person designated by Jingtuo) the right to acquire all or part of the share equity interest in Sihai Geju by notice at any time and in any manner to the extent permitted under PRC law. The purchase price shall be the lowest amount permitted under the prevailing PRC law or the most reasonable price suggested by a tax adviser. Such purchase price shall be paid in cash or otherwise as mutually agreed by the parties and permitted by PRC laws.

## **10. Placing Agreement**

10.1 Pursuant to the Placing Agreement:

10.1.1 Beaufort Securities has agreed to act as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price but is under no obligation to subscribe for any Placing Shares for which it is unable to procure placees; and

10.1.2 the Company and the Board have given certain warranties and indemnities to Sanlam Securities and Beaufort Securities as to the accuracy of information contained in this document and other matters in relation to the Company and the members of the Group and their respective businesses.

10.2 The Placing Agreement is:

10.2.1 conditional *inter alia* upon certain documents specified in the Placing Agreement being delivered to Sanlam Securities and Beaufort Securities, and Admission taking place not later than 8.00 a.m. on 4 December 2014 or such later date as is agreed in writing between the Company, Sanlam Securities and Beaufort Securities (being not later than 2 January 2015); and

10.2.2 terminable by Sanlam Securities and Beaufort Securities before Admission in certain circumstances, including a breach of any of the warranties, the failure to comply with obligations by any of the Company or the Board or circumstances having arisen which would require a supplemental admission document to be issued.

10.3 Placing Agreement fees:

Sanlam Securities is entitled to receive a corporate finance advisory fee payable in cash by the Company immediately on Admission and warrants to subscribe for 11,443,581 Ordinary Shares on Admission. In addition, the Company has agreed to pay to Beaufort Securities a commission of 5 per cent. of the value of the Placing Shares allotted at the Issue Price where the relevant places are procured by Beaufort Securities and a commission of 1.5 per cent. of the proceeds of the Issue (excluding the Placing proceeds) and the Company has agreed to grant Beaufort Securities warrants to subscribe for 1,216,667 Ordinary Shares on Admission.

## 11. Lock-in and orderly market agreements

Pursuant to lock-in and orderly market agreements dated 28 November 2014 between (1) the Company, (2) Sanlam Securities, (3) Beaufort Securities and (4) the Directors, each of the Directors and Applicable Employees (as defined in the AIM Rules for Companies) representing in aggregate on Admission 299,286,680 Ordinary Shares and 29.04 per cent. of the Enlarged Share Capital, have agreed that (subject to certain limited exceptions) they will not, and they will use their reasonable endeavours to procure that their connected persons will not, for a period of twelve months following Admission, dispose of, or agree to dispose of, any Ordinary Shares held by them or their connected persons. Furthermore, subject to certain limited exceptions the Directors and Applicable Employees will not, and they will use their reasonable endeavours to procure that their connected persons will not, dispose of any interest in Ordinary Shares other than through Beaufort Securities and in accordance with the reasonable requirements of Beaufort Securities so as to ensure an orderly market for the issued share capital of the Company for a period of twelve months following the first anniversary of Admission, provided that Beaufort Securities offer competitive terms in the event of any disposal.

Under the Framework Agreement, each party enters into lock in and orderly market arrangements in respect of the Ordinary Shares which might be issued to them upon the exercise of the option rights referred to in the Framework Agreement. Please refer to paragraph 9.11 of this Part V for further details.

## 12. Licences

Under the laws and regulations of the PRC, special licences and permits are required by companies wishing to perform Restricted Business.

12.1 Licences and permits held by Sihai Geju

12.1.1 Sihai Geju has completed the following registrations with the relevant government authorities:-

- a) Business Licence with the current business scope and terms of operation, brief details of which are set out below:

**Business Scope** Information service business in the second type value added telecom business (excluding fixed network telephone information service and internet information service) (The valid term of VAT Business Permits until 20 December 2015); internet information service (excluding journalism, publication, education, medical care, medicine, and medical instruments and BBS service) ( The valid term of Permit for Business Operation of Telecommunication and Information Services is until 2 August 2016). Organise cultural and art exchange activities (excluding performance); art creation; computer graphic design and production; photographic service; light design; market research; brand building; design, produce and publish advertisements and act as agent for the advertisement; exhibition and demonstration services; marketing strategy; computer system service; software designation; technology promotion service. (projects subject to approval according to law shall be operated after being approved by relevant authorities)

**Term of Operation** From 2 March 2009 to 1 March 2029

**Date of Incorporation** 2 March 2009

- b) Enterprise Code Registration (Code No.68578826-6); and  
 c) Tax Registration Certificate (Registration No: Jing Shui Zheng Zi No. 110105685788266).

12.1.2 Sihai Geju has also obtained and currently holds the following licences and permits required for the Restricted Business, brief details of which are set out below:-

Certificates/ Permits	Certificates/ Permits No	Business Scope/ Type or Description of Certificates	Issuing Authority	Term of Validity	Issuing Date
VAT Business Permit	B2-20100298	Business Type: Information service business in the second type value added telecom business (excluding fixed network telephone information service and internet information service)	Ministry of Industry and Information Technology of the People's Republic of China	Until 20 December 2015	27 February 2012

Certificates/ Permits	Certificates/ Permits No	Business Scope/ Type or Description of Certificates	Issuing Authority	Term of Validity	Issuing Date
Permit for Business Operation of Telecomm- unication and Information Services	ICP 110551	Business Type: Information service business in the second type value added telecom business (limited to internet information service). Service Items: Internet information service business excluding contents of news, publish, education, medical healthcare, medicine, medical appliance	Beijing Communications Administration	Until 10 November 2016	2 April 2014
Network Cultural Business Permit	[2013]1092- 1411(Jing Wang Wen) [2013] No. 1092- 1411)	Use internet to operate musical entertainment product, game product (including the issuance of virtual currency for online game), and comic and animation	Beijing Bureau of Culture	Until 31 December 2016	20 October 2013
Short Message Service Access Code Certificate for Access Code	[2011] 00072-A011 (Hao No. [2011] 00072-A011)	Approval of use of short message service access code: 10660579 and operation of short message service	Ministry of Industry and Information Technology of the People's Republic of China	Until 20 December 2015	22 May 2012

In order to operate online poker and/or lottery games, in addition to holding the Licences, the Group will also need to satisfy certain other legal requirements and have each individual online game approved and filed with the Ministry of Culture. Please refer to Part II for details of risk factors relating to the Licences.

### 13. Directors' dealings

The Directors intend to comply with rule 21 of the AIM Rules for Companies relating to directors' dealings as applicable to AIM companies and will also take all reasonable steps to ensure compliance by the Company's applicable employees (as defined in the AIM Rules for Companies).

### 14. Related Party Transactions

14.1 The Group has entered into the following transactions with related parties during the period covered by the financial information set out in Part III of this document.

14.2 These transactions were conducted on arm's length terms (or on terms which were not on arm's length terms but more favourable terms from the Company's perspective), are considered

material in the context of, and are in aggregate in excess of, the turnover of the Group in the relevant periods:

14.2.1 Certain subscriptions for and/or allotments of Ordinary Shares in the capital of the Company are to be or were effected by Shareholders and other related parties; please refer to paragraph 4 of this Part V for details of changes in the share capital of the Company and/or please refer to the material contracts described at paragraph 9 of this Part V, in particular the Share Sale Agreement (as amended) and the allotment and issue on 18 December 2013 of 373,657,097 Ordinary Shares of £0.001 each to Forbidden City Ltd and 373,657,096 Ordinary Shares of £0.001 each to Black Swan Plc in settlement of two identical invoices for £1,494,628.38 each covering set up costs, corporate finance advice and general investment costs incurred in the creation of the Group's underlying businesses over a three year period.

14.2.2 Certain of the Group's transactions and arrangements are with related parties and the effect of these, on the basis determined between the parties, is reflected in Part III of this document. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

- A former member of the management team, Mr Hu Ye, used his own service vehicle to pay bills on behalf of the Group. These amounts are shown within the relevant headings and were at normal arm's lengths terms. The company, Advant Gain Limited, whose principal shareholder is Mr Hu Ye, has the following balances with the Group:

	As at 31 December 2011 US\$	As at 31 December 2012 US\$	As at 31 December 2013 US\$	As at 30 June 2014 US\$
Creditor	87,372	196,513	327,257	323,411

- Key management personnel compensation is analysed as follows:
  - Key management personnel are considered to be the Directors. No Director received any emoluments in the years ended 31 December 2011, 2012 and 2013.
  - During the periods under review consulting payments were made to:
    - o Kolarmy Technology Inc: HK\$125,000
    - o Advant Gain: US\$ 92,740
  - Kolarmy Technology Inc is a Shareholder of the Company.
  - No other Director or member of the management team has received any compensation. Payments under the consultancy agreements and letters of appointment described in paragraph 7 of this Part V are conditional upon Admission.
- Kolarmy Technology Inc. is currently owed US\$1,000,000 pursuant to the loan notes issued by the Company to Kolarmy Technology Inc (further details of which are set out at paragraph 9.7 of this Part V). Kolarmy Technology Inc. is a Shareholder in the Company. The loan note and accrued interest is repayable at the option of the Noteholder on an event of default or on the date falling 18 months plus 1 day from Admission.
- PCG Entertainment PLC issued 373,657,097 Ordinary Shares of £0.001 each to Forbidden City Ltd and 373,657,096 Ordinary Shares of £0.001 each to Black Swan Plc in settlement of two identical invoices for £1,494,628.38 each covering set up costs, corporate finance advice and general investment costs incurred in the creation of the Group's underlying businesses over a three year

period. Richard Poulden is chairman and controls a majority of the shares in Black Swan Plc, and Kung Min Lin owns a majority of the shares in Forbidden City Ltd.

- As at 30 June 2014, a further US\$70,000 was due to Kolarmy Technology Inc, and US\$7,806 was due to each of Black Swan Plc and Forbidden City Ltd.

#### 14.3 Other related party transactions

##### *Black Swan Plc and Forbidden City Ltd*

On 18 December 2013 the Company allotted and issued 373,657,097 Ordinary Shares of £0.001 each to Forbidden City Ltd and 373,657,096 Ordinary Shares of £0.001 each to Black Swan Plc in settlement of two identical invoices for £1,494,628.38 each covering set up costs, corporate finance advice and general investment costs incurred in the creation of the Group's underlying businesses over a three year period. Richard Poulden is chairman and controls a majority of the shares in Black Swan Plc, and Kung Min Lin owns a majority of the shares in Forbidden City Ltd.

##### *Malvern Trust*

Richard Poulden holds his Ordinary Shares through the Malvern Trust and these shares are registered in the name of Ashton Nominees Inc. Pursuant to the terms of the Directors' lock-in arrangements referred to in paragraph 11 of Part V of this document Richard Poulden has agreed to use his reasonable endeavours to procure that the Malvern Trust will comply with the lock-in and orderly market arrangements, further details of which are set out at paragraph 11 of Part V of this document.

##### *Black Swan FZE*

Black Swan FZE has entered into an agreement with the Company dated 28 November 2014 pursuant to which Richard Poulden will provide services as Deputy Chairman and Non-Executive Director to the Company. Black Swan FZE is a wholly owned subsidiary of Black Swan Plc of which Richard Poulden is chairman and controls a majority of the shares. Pursuant to the agreement the Company agrees to pay Black Swan FZE US\$100,000 per annum. The agreement may be terminated on six months' notice by either party. Richard Poulden was appointed as a Director of the Company on 25 May 2012.

##### *Hyman Capital Services Limited*

Hyman Capital Services Limited, of which Clive Hyman is a director, entered into an agreement with the Company dated 28 November 2014 pursuant to which Clive Hyman will provide services as Chief Financial Officer to the Company. Pursuant to the agreement the Company agrees to pay Hyman Capital Services Limited a fee of US\$130,000 per annum. The appointment is terminable on six months' notice by either party. Clive Hyman was appointed as a Director of the Company on 9 June 2014.

##### *Z/Yen Group Limited*

Z/Yen Group Limited, of which Michael Mainelli is a director, entered into an agreement with the Company dated 28 November 2014 pursuant to which Michael Mainelli will provide services as a Non-Executive Director to the Company. Pursuant to the agreement the Company agrees to pay Z/Yen Group Limited a fee of US\$20,000 per annum. The appointment is terminable on three months' notice by either party. Michael Mainelli was appointed as a Director of the Company on 14 July 2014. 250,000 Ordinary Shares are held by Hawksford Jersey Limited for the trustees of the Z/Yen Employee Benefits Trust.

##### *Electric Warrior Limited*

Electric Warrior Limited, of which Nicholas Bryant is a director, entered into an agreement with the Company dated 28 November 2014 pursuant to which Nicholas Bryant will provide services

as Chief Executive Officer to the Company. Pursuant to the agreement the Company agrees to pay Electric Warrior Limited a fee of US\$252,450 per annum. The appointment is terminable on six months' notice by either party. Nicholas Bryant was appointed as a Director of the Company on 9 June 2014.

#### *Agreement with MoneySwap Plc*

On 1 May 2014, the Company entered into an agreement for the provision of accounting services with MoneySwap Plc for a monthly fee of US\$2,000. Either party may terminate the agreement by giving one month's notice to the other party. Kung Min Lin is currently Chairman of MoneySwap Plc.

Please also refer to the "related party" items set out in Parts I, III and V of this document for further details of related party transactions.

### **15. Working capital**

The Directors, having made due and careful enquiry, are of the opinion that the working capital available to the Company and to the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

### **16. Litigation**

Save as set out below, the Company has not been involved in any governmental, legal or arbitration proceedings during the 12 months preceding this document, which may have, or have had in the recent past, significant effects on the Company's and/or the Group's financial position or profitability and there are no such proceedings of which the Company is aware which are pending or threatened.

Sihai Geju has been involved in a computer software development contract dispute, in which Sihai Geju was the plaintiff. In October 2013 the dispute was settled by civil mediation pursuant to which the parties agreed that the defendant would return a RMB150,000 service fee to Sihai Geju after which the computer development contract would be terminated.

### **17. Employees**

As at the date at the end of the period covered by the financial information set out in Part III of this document and as at the date of this document the Group had the following employees:

<b>Group member</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>As at the date of this document</b>
PCGE	—	—	—	—
HKSS	—	—	—	—
Jingtuo	—	—	—	—
Sihai Geju	—	—	—	9

The number of employees detailed above does not include the two Executive Directors, being Nick Bryant and Clive Hyman. Mr Hyman and Mr Bryant are not employees and their services are provided by Hyman Capital Services Limited and Electric Warrior Limited respectively.

On Admission, the Group will have a total of 9 employees.

### **18. Intellectual property rights**

Save as disclosed in this document the Group does not have any intellectual property rights.

#### *18.1 Domain Names*

The Group holds the following domain names:

[www.pcge.com](http://www.pcge.com)

[www.sihaiplayer.com](http://www.sihaiplayer.com)

## 18.2 Trademarks

The Group has no registered trademarks.

## 19. Taxation

The following statements are intended only as a general guide current as at 28 November 2014 to Gibraltar and to United Kingdom tax legislation and to the current practice of the HMRC and may not apply to certain categories of shareholder, such as dealers in securities. Levels and bases of taxation are subject to change. Any person who is in any doubt as to his tax position is strongly recommended to consult his professional advisers immediately.

### 19.1 Gibraltar tax considerations

19.1.1 Non-Gibraltar based shareholders will not be subject to Gibraltar tax on dividends received from the Company or gains made on disposals of shares in the Company. There will be no Gibraltar stamp duty on the issue of new shares in the Company or on the transfer of any share in the Company. There is a nominal £10 stamp duty payable upon the increase of the Company's share capital or loan capital.

19.1.2 There is no withholding tax levied in Gibraltar in connection with the securities.

### 19.2 United Kingdom taxation

#### 19.2.1 General

19.2.1.1 The following paragraphs are intended as a general guide only and summarise advice received by the Directors about the UK tax position of Shareholders who are resident (and in the case of individuals ordinarily resident) in the UK, holding shares as investments and not as securities to be realised in the course of a trade. The paragraphs below are based on current UK legislation and HMRC practice. It should be noted that although a number of UK tax treatments referred to below refer to unquoted shares, shares on the AIM market are generally treated as unquoted for these purposes.

19.2.1.2 Any person who is in any doubt about their tax position or who is subject to taxation in a jurisdiction other than the UK should consult their own professional adviser.

19.2.1.3 The information in these paragraphs is intended as a general summary of the UK tax position and, should not be construed as constituting advice.

#### 19.2.2 The Company

19.2.2.1 It is the intention of the Directors to conduct the affairs of the Company such that the central management and control of the Company is not in the UK and so that the Company does not carry out any business in the UK.

19.2.2.2 On the assumption that this intention is realised, the Company should not be tax resident in or establish any taxable presence in the UK. On this basis the Company should not be liable to UK tax on its income or gains other than income deriving from a UK source.

#### 19.2.3 Stamp Duty and Stamp Duty Reserve Tax

No stamp duty will be payable on the issue of Ordinary Shares. An instrument effecting or evidencing the issue or transfer of Ordinary Shares which is executed in the UK or, where executed outside of the UK, which relates to any matter or thing done in the UK may not, except in criminal proceedings, be given in evidence or be available for any purpose in the UK unless it is duly stamped. Whether or not an instrument is stamped, however, will not affect the registration of the transfer in the Company's registers of Ordinary Shares so long as that register is kept outside of the UK. No stamp duty reserve

tax (“SDRT”) will be chargeable on the issue or transfer of the Ordinary Shares where the Company’s register of Ordinary Shares is kept outside of the UK. From 28 April 2014, SDRT is no longer chargeable on an agreement to transfer Depository Interests representing the Ordinary Shares within CREST.

#### *19.2.4 Taxation of dividends*

- 19.2.4.1 Any individual who is UK resident, ordinary resident and domiciled Shareholder who receives a dividend paid by the Company will be liable to UK income tax on the gross amount of any such dividend. Dividend income from the Company will be treated as forming the highest part of a Shareholder’s income. The income tax rates applicable to dividends are 10 per cent., 32.5 per cent. or 37.5 per cent. depending on the taxable income of the individual. For Shareholders with a shareholding of less than 10 per cent., dividends are paid net of a deemed tax credit of 10 per cent.. The effect of the tax credit is to reduce the effective tax rates to 0 per cent., 25 per cent. and approximately 30.56 per cent. respectively.
- 19.2.4.2 UK resident and ordinary resident individuals who are not domiciled in the UK and pay tax on a remittance basis, will be taxed on dividends paid by the Company, but only if they are remitted to the UK. If remitted to the UK, the tax treatment will follow that outlined in paragraph 19.2.4.1 above.
- 19.2.4.3 A UK-tax resident corporate Shareholder of non-redeemable Ordinary Shares in the Company that receives a dividend paid by the Company will, in principle, be subject to corporation tax (currently the main rate of corporation tax is 21 per cent.) However the application of Part 9A of the Corporation Tax Act 2009, can exempt dividends from corporation tax under certain circumstances.
- 19.2.4.4 Trustees of discretionary trusts receiving dividends from shares are also liable to account for income tax on the gross dividend at the dividend trust rate, currently 37.5 per cent. for an effective rate of approximately 30.56 per cent.
- 19.2.4.5 UK pension funds and charities are generally exempt from tax on dividends that they receive.

#### *19.2.5 Anti-avoidance*

A UK resident corporate Shareholder who, together with connected or associated persons, is entitled to at least 25 per cent. of the Ordinary Share capital of the Company should note the provisions of the Controlled Foreign Companies legislation contained in Part 9A of the Taxation (International and Other Provisions) Act 2010.

#### *19.2.6 Taxation of chargeable gains*

- 19.2.6.1 A UK resident, ordinarily resident and domiciled individual Shareholder who disposes (or is deemed to dispose) of all or any of their Ordinary Shares may be liable to capital gains tax in relation thereto at rates up to 28 per cent., subject to any available exemptions or reliefs. In addition, an individual UK Shareholder who ceases to be resident or ordinarily resident in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares held prior to departure during that period of temporary non residence may, under anti-avoidance legislation, be liable to capital gains tax on his or her return to the UK.
- 19.2.6.2 UK resident and ordinary resident individuals who are not domiciled in the UK and pay tax on a remittance basis, will be taxed on any capital gains made by them on the disposal of shares in the Company, but only if the proceeds are remitted to the UK. If remitted to the UK, the tax treatment will follow that outlined in paragraph 19.2.6.1 above.

19.2.6.3 A UK resident corporate Shareholder disposing of its Ordinary Shares in the Company may be liable to corporation tax on chargeable gains arising on the disposal at the corporation tax rate applicable to its taxable profits (the main rate of corporation tax is currently 21 per cent.).

19.2.6.4 In computing the chargeable gain liable to corporation tax the corporate Shareholder is entitled to deduct from the disposal proceeds the cost to it of the shares together with incidental costs of acquisition, as increased by an indexation allowance to adjust for inflation, and disposal costs.

19.2.6.5 The UK operates a substantial shareholding exemption regime which may apply to the disposal of shares in the Company subject to certain conditions being met.

#### 19.2.7 *Inheritance tax*

Individuals and trustees subject to IHT in relation to a shareholding in the Company may be entitled to business property relief of up to 100 per cent. after a holding period of two years providing that all the relevant conditions for the relief are satisfied at the appropriate time.

## 20. The City Code and regulation of takeovers of Gibraltar public companies

The provisions of the City Code will not apply to the Company on Admission. It is emphasised that, although the Ordinary Shares will trade on AIM, the Company will not be subject to takeover regulation in the UK.

Shareholders may not therefore be afforded the protections of the City Code as they might have if they were shareholders in a company where a takeover is regulated by the Panel.

Takeovers of Gibraltar public companies are regulated by the following pieces of legislation:

### 20.1 *Companies (Cross-Border Mergers) Regulations 2010 as amended and updated from time to time (the “Regulations”)*

These regulations were enacted to transpose into the law of Gibraltar Directive 2005/56/EC of the European Parliament and of the Council of 26 October 2005 on cross-border mergers of limited liability companies. This EC Directive has also been incorporated into the laws of other EC member states, including in the United Kingdom by the Companies (Cross-Border Mergers) Regulations 2007. The Regulations in force in Gibraltar, in effect, mirror those in place in the United Kingdom.

The Regulations are designed to facilitate cross-border mergers of limited liability companies and to allow for cross-border merger of a national limited liability company with a limited liability company of another Member State.

Under the Regulations, a Gibraltar merging company has to make an application to the court to obtain a pre merger certificate prior to any merger taking place (“Pre Merger Certificate”). In order to obtain such a certificate the Gibraltar company must provide the court, *inter alia*, with:

- draft terms of the proposed merger (indicating, *inter alia*, details for the companies involved, share exchange ratios, effects of the merger on employees, rights or restrictions on shares, articles of association, employee participation rights, assets and liabilities transferred and account dates) (the “Draft Terms”). The Draft Terms must be approved by 75 per cent. of the members of the Company;
- a directors’ report (indicating, *inter alia*, the effects of a cross-border merger for members, creditors and employees, legal and economic grounds for the Draft Terms and any material interests of the directors). The report must be delivered to the employees of the company; and
- an independent expert’s report (indicating, *inter alia*, details of share exchange ratios and valuation difficulties). The independent expert’s report is not required where the merger

is a merger by absorption where 90 per cent. of the transferor's securities are held on behalf of the transferee, and the draft terms provide that the other holders of relevant securities has a right to require the transferee to acquire those securities, provided that in exercising such right, the consideration is fair and reasonable.

Employees of the Gibraltar company must be able to inspect and make copies of these documents.

The courts of Gibraltar may make an order approving the completion of a cross-border merger on the joint application of all the merging companies if:

- an order for a Pre Merger Certificate (either granted by the courts in Gibraltar or another competent authority in another member state) has been made within 6 months;
- the Draft Terms presented for acquiring the Pre Merger Certificate have not been amended; and
- there are appropriate arrangements for employee participation in the transferee company in accordance with part 4 of the Regulations.

Such an order will specify the date on which the consequences of the cross-border merger are to have effect. A copy of this order must be provided to the Registrar of Companies of Gibraltar within 7 days of the order if this has been made in Gibraltar or within 14 days if this has been made in another member state.

The processing of personal data carried out in the context of the Regulations is subject to the Gibraltar Data Protection Act 2004.

## **20.2 Gibraltar Act**

The takeover of a Gibraltar registered public company can take place via a scheme of arrangement under sections 295-352 of the Gibraltar Act), as well as section 208 of the Gibraltar Companies Act 1930 (which will be repealed and replaced in the Gibraltar Act by the equivalent section 352A pursuant to the Companies (Amendment) Act 2014). These sections of the Gibraltar Act provide, *inter alia* that an application must be made to court in order to convene a meeting of members of the Company where such an arrangement can be proposed between a company and its members. Draft terms of the merger as well as other reports and accounting statements would need to be prepared, filed with the Companies Registrar and published prior to such a meeting being convened. At such meeting, at least 75 per cent. of the members present in person or by proxy must approve the arrangement in order for a court to thereafter be able to sanction the same. If sanctioned, the court will also order the transfer of undertaking, property and/or liabilities of the transferor company in accordance with the terms of the scheme.

Quite separate to the above, another mechanism exists under section 208 of the Gibraltar Companies Act 1930 (and the equivalent section 352A of the Gibraltar Act once in force) which provides for the situation where a bidder proposes a scheme or contract to takeover the shares of a Gibraltar registered public company. If within four months from making such a proposal more than 90 per cent. of shareholders of a target company agree to the terms of such a scheme or contract, then the bidding company may within two months after the expiration of said four months give notice to the dissenting members of the target company that it will acquire their shares on the terms of the scheme or contract. A Gibraltar scheme of arrangement, therefore, eliminates the risk that a minority of less than 10 per cent. of the target company's shareholders may resist the transfer of their shares to the bidder. It should be noted, however, that such a scheme can be subject to the sanction of the court as any dissenting members may apply to court for an order seeking relief from such a scheme or contract.

### **20.3 Financial Services (Takeover Bids) Act 2006**

The Financial Services (Takeover Bids) Act 2006 (the “FSTBA”) partially transposes Directive 2004/25/EC of the European Parliament on takeover bids. However, this transposition has not, as yet, been fully completed under the laws of Gibraltar.

The FSTBA provides for a competent authority in Gibraltar to be responsible for supervising takeover bids. As presently enacted, however, section 4(2) of the FSTBA only provides for shared jurisdiction in supervising takeover bids (between the Gibraltar competent authority and the competent authority of the regulated market) in circumstances where companies have their registered offices elsewhere in European Economic Area States (“EEA States”) outside Gibraltar and where the shares in such company are admitted to trading on a regulated market in Gibraltar. However, Gibraltar does not, as yet, have a regulated market. Accordingly, there is no provision for shared jurisdiction in respect of companies which have their registered office in Gibraltar and whose shares are admitted to trading on a regulated market in one or more EEA States. The position of a Gibraltar company having its shares listed on a recognised stock exchange in an EEA State for the purposes of the Directive 2004/25/EC would not therefore be covered by Gibraltar legislative provisions.

The Chief Legal Adviser to the Government of Gibraltar has previously confirmed that Article 4(2)(b) of the Directive 2004/25/EC will be fully transposed in due course but they have not provided timeframe for doing so. Moreover, the City Code makes no reference to Gibraltar whatsoever and does not contain the equivalent of section 23 of the Financial Services (Takeover Bids) Act 2006 (which specifically provides for the arrangements between the United Kingdom and Gibraltar). Therefore, in order to make a Gibraltar company subject to the City Code, the UK Treasury would have to amend the relevant UK legislation to ensure that Directive 2004/25/EC is completely implemented in the UK in relation to Gibraltar companies.

## **21. CREST and Depositary Interests**

### *21.1 Introduction*

CREST is a paperless settlement system allowing securities to be transferred from one person’s CREST account to another without the need to use share certificates or written instruments of transfer. Securities issued by non-UK registered companies, such as the Company, cannot be held or transferred in the CREST system. However, to enable investors to settle such securities through CREST, a Depositary (itself or through its nominated custodian) can hold the relevant securities and issue dematerialised DIs representing the underlying securities which are held on trust for the holders of the DIs.

With effect from Admission, it will be possible for CREST members to hold and transfer interests in Ordinary Shares within CREST pursuant to a DI arrangement established by the Company with the Depositary. CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will also be able to do so. No temporary documents of title will be issued.

The Ordinary Shares will not themselves be admitted to CREST. Instead the Depositary will issue DIs in respect of the underlying Ordinary Shares. The DIs will be independent securities constituted under English law which may be held and transferred through CREST. DIs will have the same international security identification number (ISIN) as the underlying Ordinary Shares and will not require a separate listing on AIM. The DIs will be created and issued pursuant to the DI Deed Poll, which will govern the relationship between the Depositary and the holders of DIs.

Application will be made for the DIs in respect of the underlying Ordinary Shares to be admitted to CREST with effect from Admission. Holders of Ordinary Shares in certificated form who wish to hold DIs through the CREST system may be able to do so and should contact the Registrar.

## 21.2 Summary of the DI Deed Poll

As mentioned above, the DIs will be created pursuant to and issued on the terms of the DI Deed Poll. The DI Deed Poll is executed by the Depositary, in favour of the holders of the DIs from time to time. Prospective holders of DIs should note that they will have no rights against Euroclear or its subsidiaries in respect of the underlying Ordinary Shares or the DIs representing them.

Ordinary Shares will be transferred to an account of the Depositary or its nominated custodian (the “Custodian”) and the Depositary will issue DIs to participating members.

Each DI will be treated as one Ordinary Share for the purposes of determining, for example, eligibility for any dividends. The Depositary will pass on to holders of DIs any stock or cash benefits received by them as holder of Ordinary Shares on trust for such DI holder. DI holders will also be able to receive from the Depositary notices of meetings of holders of Ordinary Shares and other information to make choices and elections issued by the Company to the Shareholders.

In summary, the DI Deed Poll contains, *inter alia*, provisions to the following effect:

- 21.1.1 The Depositary will hold (themselves or through the Custodian), as bare trustee, the underlying securities issued by the Company and all and any rights and other securities, property and cash attributable to the underlying securities for the time being held by the Depositary or Custodian pertaining to the DIs for the benefit of the holders of the DIs. The Depositary will re-allocate securities or distributions allocated to the Depositary or the Custodian *pro rata* to the Ordinary Shares held for the respective accounts of the holders of DIs but will not be required to account for fractional entitlements arising from such re-allocation.
- 21.1.2 Holders of DIs warrant, *inter alia*, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary for the account of the DI holder are free and clear of all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company’s Articles or any contractual obligation, or applicable law or regulation binding or affecting such holder.
- 21.1.3 The Depositary and any Custodian must pass on to DI holders, or exercise on their behalf, so far as it is reasonably able, all rights and entitlements received by the Depositary or the Custodian in respect of the underlying securities. Rights and entitlements to cash distributions, to information, to make choices and elections and to attend and vote at meetings shall, subject to the DI Deed Poll, be passed on in the form in which they are received, together with amendments and additional documentation necessary to effect such passing-on, or exercised in accordance with the DI Deed Poll. If arrangements are made which allow a holder to take up rights in the Company’s securities requiring further payment, the holder must pay the Depositary in cleared funds before the relevant payment date or other date notified by the Depositary if it wishes the Depositary to exercise such rights.
- 21.1.4 The Depositary will be entitled to cancel DIs and treat the holders as having requested a withdrawal of the underlying securities in certain circumstances including where a DI holder fails to furnish to the Depositary such certificates or representations as to material matters of fact, including his identity, as the Depositary deems appropriate.
- 21.1.5 The DI Deed Poll contains provisions excluding and limiting the Depositary’s liability. For example, the Depositary shall not be liable to any DI holder or any other person for liabilities in connection with the performance or non-performance of obligations under the DI Deed Poll or otherwise except as may result from their negligence or wilful default or fraud or that of any person for whom they are vicariously liable, provided that the Depositary shall not be liable for the negligence, wilful default or fraud of any Custodian or agent which is not a member of its group unless the Depositary has failed to exercise reasonable care in the appointment and continued use and supervision of such Custodian

or agent. Furthermore, the Depositary's liability to a holder of DIs will be limited to the lesser of:

- (a) the value of the shares and other deposited property properly attributable to the DIs to which the liability relates; and
- (b) that proportion of £10 million which corresponds to the portion which the amount the Depositary would otherwise be liable to pay to the DI holder bears to the aggregate of the amounts the Depositary would otherwise be liable to pay to all such holders in respect of the same act, omission, or event or, if there are no such amounts, £10 million.

21.1.6 The Depositary is entitled to charge holders of DIs fees and expenses for the provision of their services under the DI Deed Poll.

21.1.7 The holders of DIs are required to agree and acknowledge with the Depositary that it is their responsibility to ensure that any transfer of DIs by them which is identified by the CREST system as exempt from stamp duty reserve tax is so exempt, and to notify the Depositary if this is not the case, and to pay to Euroclear any interest, charges or penalties arising from non-payment of stamp duty reserve tax in respect of such transaction.

21.1.8 Each holder of DIs is liable to indemnify the Depositary and any Custodian (and their agents, officers and employees) against all liabilities arising from or incurred in connection with, or arising from any act related to, the DI Deed Poll so far as they relate to the DIs (and any property or rights held by the Depositary or Custodian in connection with the DIs) held by that holder, other than those resulting from the wilful default, negligence or fraud of the Depositary, or the Custodian or any agent if such Custodian or agent is a member of the Depositary's Group or if, not being a member of the same group, the Depositary shall have failed to exercise reasonable care in the appointment and continued use of such Custodian or agent.

21.1.9 The Depositary is entitled to make deductions from any income or capital arising from the underlying securities, or to sell such underlying securities and make deductions from the sale proceeds therefrom, in order to discharge the indemnification obligations of DI holders.

21.1.10 The Depositary may terminate the DI Deed Poll by giving not less than 30 days' notice. During such notice period holders may cancel their DIs and withdraw their deposited property and, if any DIs remain outstanding after termination, the Depositary must, among other things, deliver the deposited property in respect of the DIs to the relevant DI holders or, at its discretion sell all or part of such deposited property. They shall, as soon as reasonably practicable, deliver the net proceeds of any such sale, after deducting any sums due to the Depositary, together with any other cash held by it under the DI Deed Poll *pro rata* to holders of DIs in respect of their DIs.

21.1.11 The Depositary or the Custodian may require from any holder information as to the capacity in which DIs are or were owned and the identity of any other person with or previously having any interest in such DIs and the nature of such interest and evidence or declarations of nationality or residence of the legal or beneficial owners of DIs and such information as is required for the transfer of the relevant Ordinary Shares to the holders. Holders agree to provide such information requested and consent to the disclosure of such information by the Depositary or Custodian to the extent necessary or desirable to comply with their legal or regulatory obligations. Furthermore, to the extent that the Company's Articles require disclosure to the Company of, or limitations in relation to, beneficial or other ownership of the Company's securities, the holders of DIs are to comply with the Company's instructions with respect thereto.

## 22. General

- 22.1 It is estimated that the total costs and expenses payable by the Company in connection with or incidental to Admission including London Stock Exchange fees, printing, advertising and distribution costs, legal, accounting and corporate finance fees are estimated to amount to approximately £0.99 million (excluding any VAT payable thereon).
- 22.2 Sanlam Securities, the nominated adviser, has given and not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which they appear.
- 22.3 Beaufort Securities, the broker, has given and not withdrawn their written consent to the inclusion in this document of references to their name in the form and context in which they appear.
- 22.4 Nexia Smith & Williamson, the reporting accountants of the Company, has given and not withdrawn its written consent to the issue of this document with its name included in it and with the inclusion therein of its reports and references thereto in the form and context in which it is included.
- 22.5 Benady Cohen & Co Limited of 21 Engineer Lane, Gibraltar were appointed statutory auditors of the Company on 17 July 2014 and have audited the statutory accounts of the Company for the period from 25 May 2012 (its date of incorporation) to 31 December 2012 and the year to 31 December 2013, and have been auditors from 1 January 2014 to 30 June 2014 and continue to act as statutory auditors of the Company. The directors of Benady Cohen & Co Limited are all FCA or FCCA qualified under the Institute of Chartered Accountants in England & Wales and the Association of Chartered Certified Accountants respectively.
- 22.6 Save as disclosed in this document, there are no patents or other intellectual property rights, know-how, licences or industrial, commercial or financial contracts which are or may be of fundamental importance to the Company's business.
- 22.7 Save as disclosed in this document, the Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.
- 22.8 Save as disclosed in this document, there has been no significant change in the trading or financial position of the Group since 30 June 2014, being the date to which the interim financial information in Part III is made up.
- 22.9 Save as disclosed in this document, there have been no significant recent trends in production, sales and inventory, and costs and selling prices since end of 31 December 2013, and there are no known trends reasonably likely to have a material effect on Company's prospects for the current financial year.
- 22.10 The Issue Price represents a premium of £0.059 over the nominal value of £0.001 per Ordinary Share (excluding any value attributable to the Warrants).
- 22.11 The Ordinary Shares are in registered form and may be held in certificated or, through Depositary Interests, uncertificated form. No temporary documents of title will be issued. The ISIN number of the Ordinary Shares is GI000A1171Y8.
- 22.12 Save as disclosed in this document, no person (excluding professional advisers otherwise disclosed in this document and trade suppliers) has:
- 22.12.1 received directly or indirectly from the Company within twelve months preceding the Company's application for Admission; or
- 22.12.2 entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission, any of the following:
- (a) fees totalling £10,000 or more; or

- (b) securities in the Company with a value of £10,000 or more calculated by reference to the expected opening price of the Ordinary Shares on Admission; or
  - (c) any other benefit with a value of £10,000 or more at the date of Admission.
- 22.13 Save as disclosed in this document, since the period ended 30 June 2014 covered by the historical financial information and the interim financial information set out in Part III of this document, the Group has made no investments and there are no investments in progress of the Group which are or may be significant.
- 22.14 Save as disclosed in this document, the Directors are not aware of any exceptional factors that have influenced the Company's activities.
- 22.15 The Company's accounting reference date is 31 December.
- 22.16 The financial information for the relevant accounting period set out in Part III of this document and the financial information for the relevant interim period set out in Part III of this document does not constitute statutory accounts of the Company within the meaning of section 434 of the Act and no financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company.
- 22.17 No financial information contained in this document is intended by the Company to represent or constitute a forecast of profits by the Company or to constitute publication of accounts by it.
- 22.18 Save as disclosed in this document, the Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.
- 22.19 Save as disclosed in this document, there are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.
- 22.20 Save as disclosed in this document, no public takeover bids have been made by third parties in respect of the Company's issued share capital since its incorporation up to the date of this document.
- 22.21 Insofar as the Directors are aware, the percentage of Ordinary Shares not in public hands (as that expression is defined in the AIM Rules for Companies) on Admission is expected to be approximately 48.68 per cent.
- 22.22 Save as disclosed in this document, there are not, either in respect of the Company or its subsidiaries, any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Company's prospects for at least the current financial year.
- 22.23 Save as disclosed in this document, there are no mandatory takeover bids and/or squeeze out and sell-out rules in relation to the Ordinary Shares.
- 22.24 Save for the information set out in Part III of this document, no other audited information is included in this document.
- 22.25 The Directors are not aware of any other information that they should reasonably consider as necessary for investors to form a full understanding of: (i) the assets and liabilities, financial position, profits and losses, and prospects of the Company and the securities for which Admission is being sought; (ii) the rights attached to those securities; and (iii) any other matter contained herein.

28 November 2014

