



OURGAME INTERNATIONAL HOLDINGS LIMITED

聯眾國際控股有限公司

(a company incorporated under the laws of the Cayman Islands with limited liability)

Stock Code: 6899

GLOBAL OFFERING

Sole Sponsor

Jefferies

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

Jefferies



IMPORTANT

IMPORTANT: If you are in doubt about any of the contents of this prospectus, you should obtain independent professional advice.



OURGAME INTERNATIONAL HOLDINGS LIMITED

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(a company incorporated under the laws of the Cayman Islands with limited liability)

GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	196,000,000 Shares (subject to reallocation and the Over-allotment Option)
Number of Hong Kong Offer Shares	:	19,600,000 Shares (subject to reallocation)
Number of International Placing Shares	:	176,400,000 Shares (subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$4.80 per Offer Share plus brokerage of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)
Nominal Value	:	US\$0.00005 per Share
Stock Code	:	06899

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Hong Kong Exchanges and Clearing Limited, the Stock Exchange of Hong Kong Limited and the Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this prospectus.

A copy of this prospectus, having attached thereto the Documents specified in the paragraph headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding up and Miscellaneous Provisions) Ordinance. The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other document referred to above.

The Offer Price is expected to be fixed by agreement between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date. The Price Determination Date is expected to be on or around Tuesday, 24 June 2014 and, in any event, not later than Friday, 27 June 2014. The Offer Price will be not more than HK\$4.80 and is currently expected to be not less than HK\$3.70. If, for any reason, the Offer Price is not agreed by Friday, 27 June 2014 between the Joint Bookrunners (on behalf of the Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Bookrunners (on behalf of the Underwriters) may, with our consent, reduce the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, an announcement will be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering.

The obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement are subject to termination by the Joint Bookrunners (on behalf of the Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. See the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares may only be offered, sold or delivered outside the United States in reliance on Regulation S.

18 June 2014

* For identification purpose only.

EXPECTED TIMETABLE

Application lists open ⁽²⁾	11:45 a.m. on Monday, 23 June 2014
Latest time to lodge white and yellow application forms	12:00 noon on Monday, 23 June 2014
Latest time to give electronic application instructions to HKSCC ⁽²⁾	12:00 noon on Monday, 23 June 2014
Latest time to complete electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽³⁾	11:30 a.m. on Monday, 23 June 2014
Latest time to complete payment of White Form eIPO applications by effecting internet banking transfers or PPS payment transfer(s)	12:00 noon on Monday, 23 June 2014
Application lists close	12:00 noon on Monday, 23 June 2014
Expected price determination date	Tuesday, 24 June 2014
Announcement of:	
<ul style="list-style-type: none"> • the Offer Price; • the level of applications in Hong Kong Public Offering; • an indication of the level of interest in the International Placing; and • the basis of allocation of the Hong Kong Offer Shares, 	
to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on or before	Friday, 27 June 2014
Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers where appropriate) to be available through a variety of channels (see paragraph headed "Publication of Results" in the section headed "How to Apply for Hong Kong Offer Shares") from	Friday, 27 June 2014
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function	Friday, 27 June 2014
A full announcement of the Hong Kong Public Offering containing the information referred to in the above announcements will be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.ourgame.com from	Friday, 27 June 2014
White Form e-refund payment instructions/refund cheques in respect of wholly or partially unsuccessful application to be posted on or before ⁽⁵⁾	Friday, 27 June 2014
Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁴⁾	Friday, 27 June 2014
Dealings in Shares on the Stock Exchange expected to commence on	Monday, 30 June 2014

(1) All times refer to Hong Kong local time, except as otherwise stated.

(2) If there is a tropical cyclone warning signal number 8 or above, or a "black" rainstorm warning at any time between 9:00 a.m. and 12:00 noon on Monday, 23 June 2014, the application lists will not open on that day. See the section headed "How to Apply for Hong Kong Offer Shares — Effect of Bad Weather on the Opening of the Application Lists" in this prospectus.

(3) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.

(4) **Share certificates will only become valid certificates of title provided that the Global Offering has become unconditional in all respects and neither of the Underwriting Agreements has been terminated in accordance with its terms, which is scheduled to be at or around 8:00 a.m. on Monday, 30 June 2014.**

(5) White Form e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of successful applications if the final Offer Price is less than the price payable on application.

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IMPORTANT NOTICE TO PROSPECTIVE INVESTORS

This prospectus is issued by us solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares offered by this prospectus pursuant to the Hong Kong Public Offering. This prospectus may not be used for the purpose of making, and does not constitute, an offer or invitation in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Hong Kong Offer Shares in any jurisdiction other than Hong Kong and no action has been taken to permit the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus for purposes of a public offering and the offering and sale of the Hong Kong Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. The Hong Kong Public Offering is made solely on the basis of the information contained and the representations made in this prospectus. We have not authorised anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not contained nor made in this prospectus and the Application Forms must not be relied on by you as having been authorised by us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, any of the Underwriters, any of our or their respective directors, officers, employees, agents or representatives of any of them or any other parties involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. Because this is a summary, it does not contain all the information that may be important to you. You should read the whole prospectus before you decide to invest in the Offer Shares. There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set out in the section headed “Risk Factors” in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We are a leading online card and board game developer and operator in China with a strong brand and leading expertise in integrated online and offline operations. According to the Analysys Report, we are the second largest online card and board game operator in China as measured by the number of online card and board games offered as of 31 December 2013. According to the Analysys Report, we ranked third among online game companies as measured by revenue derived from the PRC online card and board game market in 2013⁽¹⁾.

We are a pioneer of online card and board games in China. Among the top online game providers in China, we were the first company to have a dedicated online card and board game business. Since our inception in 1998, we have capitalised on our early-mover advantage to build a highly recognisable online card and board game brand in China and accumulated a massive user base. As of 31 March 2014, we had over 396 million cumulative registered players for our PC games and over 51 million cumulative registered players for our mobile games. In 2012, the State Administration for Industry and Commerce awarded our trademark “Ourgame Club” (“聯眾俱樂部”) the title of “China Famous Trade Mark”, which validates its status as a well-known brand in the online game industry. We believe that our strong brand provides us with substantial advantages in attracting new players to our games, establishing business relationships with third-party game distribution channels and organising large-scale combined online and offline events to promote our online games.

Our Games

We have a balanced portfolio of over 200 online games. A substantial number of these games are classic card and board games with a long history in the real world and long product lifespans. Furthermore, we do not rely on any single game category to build our player base and generate revenue. During the Track Record Period, no single game category accounted for more than one-third of our total revenue. We are able to accommodate the different traditions and preferences of players around different parts of China by developing various regional variations to popular card and board games. We have also been developing variations to classic games with innovative rules and elements, such as a two-player version of Mahjong. We launched 14, 20, seven and one new games on our online game platform in 2011, 2012, 2013 and the first three months of 2014, respectively.

⁽¹⁾ Revenue from simplified Chinese card and board game versions is used to estimate the revenue derived from the PRC online card and board game market for some industry participants under analysis. Please refer to page 62 of this prospectus.

SUMMARY

The following table sets forth our revenue breakdown by game forms and PC game categories in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages) (unaudited)									
PC games										
Self-developed games										
— Texas Hold'em	39,796	25.9	60,138	29.2	70,685	29.9	13,029	28.2	28,201	30.3
— Mahjong	32,454	21.1	62,780	30.5	62,604	26.5	13,564	29.4	22,436	24.1
— Fight the Landlord	10,235	6.6	13,194	6.4	26,932	11.4	6,031	13.1	9,398	10.1
— Other self-developed games	8,317	5.4	8,477	4.1	18,124	7.7	2,640	5.7	6,456	6.9
Self-developed games total	90,802	59.0	144,589	70.3	178,345	75.5	35,264	76.3	66,491	71.5
Licensed games	16,458	10.7	14,275	6.9	17,748	7.5	4,130	8.9	6,195	6.7
Third-party operated games	40,774	26.5	33,241	16.2	14,576	6.2	4,703	10.2	2,038	2.2
PC games total	148,034	96.2	192,105	93.3	210,669	89.2	44,097	95.4	74,724	80.4
Mobile games	3,829	2.5	6,571	3.2	15,628	6.6	941	2.0	17,314	18.6
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0
Total revenue⁽¹⁾	153,948	100.0	205,810	100.0	236,300	100.0	46,202	100.0	92,989	100.0

Note:

(1) Total revenue includes sponsorship income, third-party advertising income and other miscellaneous income.

Our Revenue Models

Substantially all our games are free to play, which helps us attract a large overall player base. We monetise our games primarily by offering virtual goods such as personalised avatars and membership plans. We give our players a limited number of virtual game points free of charge for basic game play. Players who desire enhanced playing experience may purchase our virtual currencies which can be used to exchange for our virtual goods.

We have three operation models, namely, self-developed games, licensed games and third-party operated games. Substantially all our card and board games are self-developed. We also distribute licensed games and third-party operated games, which are mostly non-card-and-board games, as it allows us to monetise a broader range of our player base. However, as these games may also compete for players with our self-developed games, we increasingly prioritised promotion of our self-developed games during the Track Record Period. As a result, the percentage of our revenue contributed by self-developed games increased from 59.0% in 2011 to 80.2% in 2013 and further to 84.7% in the first three months of 2014, whereas the percentage of our revenue contributed by third-party operated games decreased from 26.5% in 2011 to 6.2% in 2013 and was 7.3% in the first three months of 2014, and the percentage of our revenue contributed by licensed games also declined from 13.2% in 2011 to 9.4% in 2013 and further to 7.0% in the first three months of 2014.

During the Track Record Period, we increasingly focused on the development and operation of mobile games, substantially all of which were self-developed games. The percentage of our revenue contributed by mobile games increased from 2.5% in 2011 to 6.6% in 2013 and further to 18.6% in the first three months of 2014.

SUMMARY

Proprietary and Third-party Distribution Channels

We offer both PC and mobile games through proprietary and third-party distribution channels. Our proprietary one-stop PC client portal, Ourgame Hall (聯眾大廳), offers over 200 games, including approximately 40 types of card games, over 25 variations of Mahjong, 20 board games, over 10 licensed and third-party operated MMOGs and a number of other casual games. Players can also play our games on our own websites, ourgame.com and lianzhong.com, and through approximately 30 third-party distributors, including popular internet portals in China such as Baidu, Sina Weibo and Qihoo 360. Our flagship PC games, *Tiantian Fight the Landlord* (天天鬥地主), and Poker World (our Texas Hold'em game), are each a self-contained package offering a series of online games and tournaments as well as many social interactive features. Furthermore, we have an expanding portfolio of mobile games for both Google's Android and Apple's iOS operating systems, distributed through numerous third-party channels.

The following table sets forth our revenue breakdown by game distribution channels in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Proprietary channels	146,803	95.4	185,228	90.0	159,215	67.4	40,085	86.8	55,644	59.8
Third-party channels:										
Mobile carriers	3,829	2.5	8,539	4.1	66,064	28.0	4,473	9.7	26,917	28.9
Others	1,231	0.8	4,909	2.4	1,018	0.4	480	1.0	9,477	10.2
Third-party channels total	5,060	3.3	13,448	6.5	67,082	28.4	4,953	10.7	36,394	39.1
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0

Our integrated online game platform is supported by universal user IDs. A player can use the same ID to play substantially all of our games across our PC client portal, web browsers and mobile devices. We have a universal PC virtual game point system that supports over 20 PC games. These games accounted for over two-thirds of our total revenue derived from PC games in 2013. We believe that these platform-wide features help us increase player stickiness, effectively promote new games to existing players and convert non-paying players to paying players.

Promoting Our Online Games through Combined Online and Offline Tournaments

One aspect of our business that we believe differentiates us from our competitors is our integration of online card and board games and large-scale, officially sanctioned offline tournaments. For example, in 2012, we organised the first Texas Hold'em tournament in China authorised by the World Poker Tour. In the run-up to the championship event in Sanya, Hainan, we held qualification competitions on our online game platform through all our major PC channels, attracting over 500,000 entries (including repeated entries by the same player account, "player sessions"). We expanded the scale of the Sanya World Poker Tour event in 2013 to over 1.2 million player sessions in our online qualification competitions and have obtained a five-year permit through 2017 from the Sanya government to make it a regular annual event. These combined online and offline events serve as an important promotional tool for us to attract new players to our online game platform. We believe that these combined online and offline events also help to further enhance our reputation as the online card and board game expert in China and to solidify our influence and leadership position in the card and board game industry in China. In 2014, we entered into another agreement with the World Poker Tour to host a new series of poker tournaments, the WPT Dragon Series, in Asia and other locations outside China. Under this agreement, we may, but are not obligated to, host one national, non-televised, WPT-branded poker tournament per month. In April 2014, we hosted the first stop of the WPT Dragon Series in Vietnam.

SUMMARY

Our Payment Channels

We utilise various types of payment channels to collect proceeds from sales of virtual currencies to players. Players can make payments either by purchasing our pre-paid game cards or by using many third-party payment channels, including major Chinese banks' online banking services, major mobile carriers and other payment channels.

The following table sets forth our revenue breakdown by payment channels in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Online banking	27,877	18.1	41,674	20.2	92,189	39.0	13,064	28.3	42,654	45.9
Pre-paid game cards	92,837	60.3	117,129	56.9	49,273	20.9	23,944	51.8	10,693	11.5
Mobile carriers	5,113	3.3	9,392	4.6	67,014	28.4	4,606	10.0	23,094	24.8
Other payment channels	26,036	16.9	30,481	14.8	17,821	7.5	3,424	7.4	15,597	16.8
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0

Our business grew rapidly during the Track Record Period. The average MAUs for our PC games increased from 4.8 million in 2011 to 9.9 million in 2013 and amounted to 9.8 million in the first quarter of 2014. Our mobile player base expanded particularly significantly since we launched our first mobile game for smart mobile devices in January 2011. The combined average MAUs for our top three mobile games increased from 7.9 million in the first quarter of 2013 to 14.1 million in the first quarter of 2014. For the year ended 31 December 2013 and the three months ended 31 March 2014, the average MAUs for our top three mobile games exceeded the average MAUs for our PC games. During the Track Record Period, our revenue increased from RMB153.9 million in 2011 to RMB236.3 million in 2013, representing a CAGR of 23.9%, and increased by 101.3% from RMB46.2 million in the three months ended 31 March 2013 to RMB93.0 million in the three months ended 31 March 2014; and our net profit increased from RMB26.5 million in 2011 to RMB40.5 million in 2013, representing a CAGR of 23.5%, and increased from RMB1.8 million in the three months ended 31 March 2013 to RMB21.6 million in the three months ended 31 March 2014.

Our Suppliers

Our major suppliers include companies that provide game licenses and game operation services, game distribution and payment collection services and internet data centre services. For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, the aggregate cost incurred from our top five suppliers was RMB25.3 million, RMB26.7 million, RMB39.9 million and RMB14.1 million, respectively, representing 54.4%, 48.4%, 50.0% and 45.5% of our cost of revenue in those periods, respectively. In 2011 and 2012, our top supplier was Smile Game Co., Ltd., which provided game operation services for our licensed game R2. In 2013 and the three months ended 31 March 2014, our top supplier was China Mobile, which provided game distribution and payment collection services.

OUR STRENGTHS

We believe that the following strengths provide us with competitive advantages and differentiate us from our competitors:

- Leading online card and board game platform in China

SUMMARY

- Growing combined online and offline tournaments which creates business synergy with online platform
- Comprehensive portfolio of long-lifespan games supported by an integrated platform
- Strong brand in online card and board games well positioning us for business expansion
- Strong in-house game development and operation expertise
- Experienced professional management team and entrepreneurial corporate culture

Please refer to pages 90 to 95 of this prospectus for details on the strengths of our Company.

OUR STRATEGIES

Our goal is to become the dominant leader in the online card and board game industry in China. We plan to achieve our goal by pursuing the following principal strategies:

- Strengthen and optimize our game portfolio, with a focus on mobile games
- Deepen market penetration and accelerate player monetization
- Expand our combined online and offline events to further promote our online games
- Continue to strengthen research and development and invest in leading technologies
- Selectively pursue strategic partnerships and acquisitions to broaden our domestic and overseas market reach

Please refer to pages 95 to 97 of this prospectus for details on the strategies of our Company.

OUR CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Management Pre-IPO Share Option Scheme), our Controlling Shareholders are:

Shareholder	Percentage of shareholding
Mr Liu	20.02%
Sonic Force Limited ⁽¹⁾	13.49%
Blink Milestones Limited ⁽²⁾	6.53%
Mr Zhang	15.11%
Elite Vessels Limited ⁽³⁾	15.11%
Mr Shen	8.09%
Prosper Macrocism Limited ⁽⁴⁾	8.09%
Ms Long	2.70%
Golden Liberator Limited ⁽⁵⁾	2.70%
Total	45.91%

Notes:

- (1) wholly-owned by Mr Liu
- (2) wholly-owned by Mr Liu
- (3) wholly-owned by Mr Zhang
- (4) wholly-owned by Mr Shen
- (5) wholly-owned by Ms Long

SUMMARY

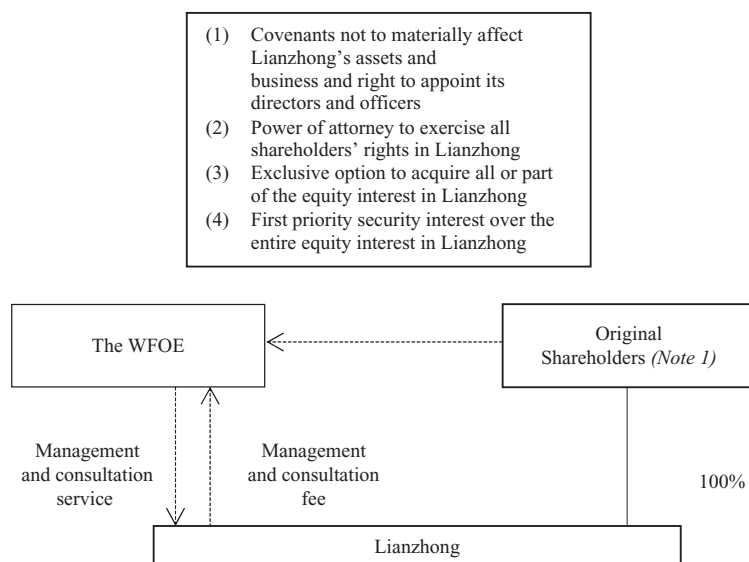
According to the Concert Party Agreement, Mr Zhang, Mr Liu, Mr Shen and Ms Long, through their BVI holding companies, will be jointly entitled to exercise or control the exercise of 45.91% of the voting power of the Company. Therefore, Mr Zhang, Elite Vessels Limited, Mr Liu, Sonic Force Limited, Blink Milestones Limited, Mr Shen, Prosper Macrocosm Limited, Ms Long and Golden Liberator Limited will be our Controlling Shareholders after the Listing.

Please refer to pages 147 to 148 of this prospectus for details of our Controlling Shareholders.

CONTRACTUAL ARRANGEMENTS

We are primarily engaged in the development and operation of online card and board games and are considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our website. We conduct our online game business through our PRC operating entity, Lianzhong. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online game business and are restricted to conduct value-added telecommunications services. For further details of the limitations under applicable PRC laws and regulations on foreign ownership in PRC companies conducting online game businesses and value-added telecommunications services, please refer to the section headed "Regulatory Overview" in this prospectus. Due to these restrictions, we conduct our operations in China through the Contractual Arrangements with Lianzhong and its shareholders. The Contractual Arrangements allow Lianzhong's financials and results of operations, together with those of its subsidiaries, to be consolidated into our financials and as if it was a wholly-owned subsidiary of our Group.

The following simplified diagram illustrates the flow of economic benefits from Lianzhong to our Group stipulated under the Contractual Arrangements:



Notes:

1. Original Shareholders are Mr Zhang, Mr Liu, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan.
2. " ——— " denotes direct legal and beneficial ownership in the equity interest and " -.-.-.-> " denotes contractual relationship.

Please refer to pages 130 to 146 of this prospectus for details of our Contractual Arrangements.

SUMMARY

SUMMARY HISTORICAL FINANCIAL INFORMATION

Consolidated Statements of Comprehensive Income

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Revenue	153,948	100.0	205,810	100.0	236,300	100.0	46,202	100.0	92,989	100.0
Cost of revenue	(46,546)	(30.2)	(55,283)	(26.9)	(79,803)	(33.8)	(14,486)	(31.4)	(31,104)	(33.4)
Gross Profit	107,402	69.8	150,527	73.1	156,497	66.2	31,716	68.6	61,885	66.6
Other income	5,703	3.7	3,144	1.5	4,649	2.0	112	0.2	471	0.5
Selling and marketing expenses	(29,109)	(18.9)	(45,971)	(22.3)	(45,476)	(19.2)	(11,268)	(24.4)	(10,924)	(11.7)
Administrative expenses ⁽¹⁾	(25,458)	(16.5)	(29,895)	(14.5)	(34,714)	(14.7)	(8,074)	(17.5)	(15,632)	(16.8)
Share-based compensation expense	—	—	(1,049)	(0.5)	(490)	(0.2)	(440)	(1.0)	(3,056)	(3.3)
Research and development expenses	(27,365)	(17.8)	(39,591)	(19.2)	(35,699)	(15.1)	(9,866)	(21.4)	(7,833)	(8.4)
Finance costs	(128)	(0.1)	(2)	(0.0)	—	—	—	—	—	—
Profit before income tax	31,045	20.2	37,163	18.1	44,767	18.9	2,180	4.7	24,911	26.8
Income tax expense	(4,499)	(2.9)	(6,198)	(3.0)	(4,306)	(1.8)	(398)	(0.9)	(3,357)	(3.6)
Profit for the year/period	<u>26,546</u>	<u>17.2</u>	<u>30,965</u>	<u>15.0</u>	<u>40,461</u>	<u>17.1</u>	<u>1,782</u>	<u>3.9</u>	<u>21,554</u>	<u>23.2</u>
Profit for the year/period attributable to:										
Equity holders of the Company	20,988	13.6	29,291	14.2	35,052	14.8	1,613	3.5	21,552	23.2
Non-controlling interests	5,558	3.6	1,674	0.8	5,409	2.3	169	0.4	2	0.0
	<u>26,546</u>	<u>17.2</u>	<u>30,965</u>	<u>15.0</u>	<u>40,461</u>	<u>17.1</u>	<u>1,782</u>	<u>3.9</u>	<u>21,554</u>	<u>23.2</u>
Non-IFRS Measure:										
Adjusted net profit attributable to equity holders of the Company (unaudited) ⁽²⁾	<u>20,988</u>	<u>13.6</u>	<u>30,204</u>	<u>14.7</u>	<u>37,261</u>	<u>15.8</u>	<u>1,996</u>	<u>4.3</u>	<u>30,178</u>	<u>32.5</u>

Notes:

- (1) Included nil, nil, RMB1.8 million and RMB5.6 million in IPO listing fees in connection with this Global Offering for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively.
- (2) We define adjusted net profit attributable to equity holders of the Company as net income attributable to equity holders of the Company excluding their share of (i) share-based compensation expense; and (ii) IPO listing fees. The use of adjusted net profit attributable to equity holders of the Company has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. Please refer to the section headed “Financial Information — Non-IFRS Measure”.

SUMMARY

Selected Items of the Consolidated Statements of Financial Position

	As of 31 December			As of 31 March
	2011	2012	2013	2014
	(in thousands of RMB)			
Current assets				
Inventories	301	636	1,169	985
Trade receivables	5,988	11,674	35,742	52,494
Other receivables	16,226	10,253	22,725	21,725
Bank balances and cash	31,681	95,587	58,716	95,069
Total current assets	87,229	118,150	148,352	179,273
Current liabilities				
Trade payables	12,715	12,013	12,498	13,906
Other payables	11,434	12,502	15,331	19,315
Deferred revenue	24,953	20,720	29,467	28,179
Total current liabilities	49,316	47,609	58,780	64,469
Net current assets	37,913	70,541	89,572	114,804
Non-current assets	24,637	37,663	59,644	58,426
Total assets	111,866	155,813	207,996	237,699
Non-current liabilities	—	—	—	—
Total liabilities	49,316	47,609	58,780	64,469
Total equity	62,550	108,204	149,216	173,230

Key Financial Ratios

	As of 31 December			As of 31 March
	2011	2012	2013	2014
Current ratio ⁽¹⁾	1.77	2.48	2.52	2.78
Quick ratio ⁽²⁾	1.76	2.47	2.50	2.77

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
Return on equity (%) ⁽³⁾	53.9	36.3	31.4	1.6	13.4
Return on total assets (%) ⁽⁴⁾	22.6	23.1	22.2	1.1	9.7

Notes:

- (1) Current assets divided by current liabilities.
- (2) Current assets less inventories and divided by current liabilities.
- (3) Profit divided by the average of opening and closing total equity for that period and multiplied by 100%.
- (4) Profit divided by the average of opening and closing total assets for that period and multiplied by 100%.

Please refer to pages 165 to 206 of this prospectus for details of our Company's financial information.

SUMMARY

OPERATIONAL DATA

The following table sets forth the average MAUs for our major game categories for the periods indicated:

	For the year ended December 31			For the three months ended 31 March	
	2011	2012	2013	2013	2014
	(in thousands)				
PC games					
— Fight the Landlord	916	2,179	3,222	3,115	3,354
— Mahjong	748	1,116	1,490	1,361	1,888
— Texas Hold'em	15	32	56	28	108
— Other games	3,107	4,396	5,126	5,118	4,486
PC total	4,786	7,723	9,894	9,622	9,836
Mobile games⁽¹⁾	—	1,361 ⁽²⁾	10,466	7,886	14,119
Total	4,786	9,084	20,360	17,508	23,955

Notes:

- (1) Included MAUs of three mobile games, *Tiantian Fight the Landlord*, *Talent Mahjong* and *Flying Ninja Cat*.
- (2) Represented average MAUs for the last three quarters of 2012. The company does not have measures of mobile MAUs before the second quarter of 2012 that are comparable to its current measures.

The following table sets forth the average MPUs and ARPPU of our self-developed PC games and our mobile games for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
Self-developed PC games					
MPUs (in thousands)	166.2	192.5	256.5	206.6	309.0
ARPPU (in RMB)	45.0	62.4	57.9	56.6	71.7
Mobile games⁽¹⁾					
MPUs (in thousands)	—	—	105.7 ⁽²⁾	—	259.4 ⁽³⁾
ARPPU (in RMB)	—	—	12.6 ⁽²⁾	—	15.7 ⁽³⁾

Notes:

- (1) The calculation of MPUs and ARPPU of mobile games does not include mobile games on non-smart mobile devices, for which data are not available.
- (2) Included two mobile games, *Tiantian Fight the Landlord* and *Talent Mahjong*, for the last three quarters of 2013. Before the second quarter of 2013, we primarily focused on attracting and retaining a broad base of players and did not monetize the players of these two games. Additionally, although we had immaterial revenue from various single-player mobile games, primarily Java-based games, before 2013, we did not have MPUs or ARPPU data for mobile games in 2011 and 2012. In 2013, *Tiantian Fight the Landlord* and *Talent Mahjong* accounted for 76.8% of our total mobile revenue, and other mobile games accounted for 23.2% of our total mobile revenue.
- (3) Included two mobile games, *Tiantian Fight the Landlord* and *Talent Mahjong*, which accounted for 70.7% of our total mobile revenue in the three months ended 31 March 2014.

RECENT DEVELOPMENTS

For the years ending 31 December 2014 and 2015, we expect to incur non-cash share-based compensation expenses of approximately RMB29.1 million and RMB20.6 million, respectively, primarily due to the new share options issued under the Management Pre-IPO Share Option Scheme in February 2014.

The Directors confirm that since 31 March 2014 (being the date to which the latest audited consolidated financial information of our Group was prepared) and up to the date of this prospectus, there has been no material adverse

SUMMARY

change in the industry in which we operate and our business and financial condition which would materially affect the information shown in our consolidated financial statements included in the Accountant's Report set forth in Appendix I to this prospectus. There has been no material adverse change to our revenue, gross profit, gross profit margin, MAUs, MPUs or ARPPU since 31 March 2014.

PRE-IPO INVESTMENT

Name of Pre-IPO Investors:	CMC Ace Holdings Limited (“CMC”) and KongZhong Corporation (“KongZhong”)
Date of Pre-IPO Share Subscription Agreement:	31 January 2014
Number of shares subscribed for by the Pre-IPO Investors:	A total of 85,714,284 Series A Preferred Shares with par value of US\$0.00005 each, 57,142,856 of which were subscribed for by CMC and 28,571,428 of which were subscribed for by KongZhong, representing approximately 20.00% and 10.00%, respectively, of the then total issued share capital of our Company following the Pre-IPO Investment
Total consideration paid:	US\$49,140,049.14
Completion of the subscription and payment date of the consideration:	10 February 2014
Price per Series A Preferred Share subscribed:	US\$0.57330058 (equivalent to approximately HK\$4.44 prior to the Capitalisation Issue and approximately HK\$2.16 after the completion of the Capitalisation Issue)
Discount of price per Series A share subscribed to the IPO price	a discount of approximately 49.19% to the midpoint of the indicative Offer Price range of HK\$3.70 to HK\$4.80, on the basis of our enlarged share capital immediately upon completion of the Global Offering

The Pre-IPO Investors are entitled to receive a payment from certain of our existing Shareholders if our profit for the year ending 31 December 2014 is below RMB80 million (as calculated in accordance with the Shareholders Agreement) and have a right to require the same Shareholders to purchase their shares at a pre-agreed price in certain circumstances. For further information on these and other rights of our Pre-IPO Investors, please see pages 82 to 87.

OFFERING STATISTICS

All statistics in the following table are based on the assumptions that (i) the Global Offering has been completed and 196,000,000 Shares are newly issued in the Global Offering; (ii) the Over-allotment Option and the options under the Management Pre-IPO Share Option Scheme are not exercised; and (iii) 784,000,000 Shares are issued and outstanding following the completion of the Global Offering.

	Based on an Offer Price of HK\$3.70	Based on an Offer Price of HK\$4.80
Market capitalization	HK\$2,900.8 million	HK\$3,763.2 million
Unaudited pro forma adjusted net tangible assets per Share attributable to our Shareholders	HK\$1.06	HK\$1.32

SUMMARY

For the calculation of the unaudited pro forma adjusted net tangible asset value per Share attributable to our Shareholders, see “Appendix II — Unaudited Pro Forma Financial Information”.

MANAGEMENT PRE-IPO SHARE OPTION SCHEME

We have conditionally granted options to members of our senior management to subscribe for an aggregate of 50,042,553 Shares (representing approximately 6% of the enlarged issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised) at an exercise price of US\$0.34398035 per share (equivalent to approximately HK\$2.67). The exercise price shall further be adjusted to US\$0.16714303 per share after the completion of the Capitalisation Issue. Assuming all such options are exercised, our Shares outstanding and earnings per Share upon the completion of the Capitalization Issue and the Global Offering would be diluted by approximately 6.38%.

EMPLOYEE PRE-IPO SHARE OPTION SCHEME

Blink Milestones conditionally granted options to our employees to purchase an aggregate of 25,009,600 Shares (representing about 0.32% of the enlarged issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering, assuming that the Over-allotment Option is not exercised and no exercise of the Management Share options) at an exercise price equal to RMB0.12756 (equivalent to approximately HK\$0.16) to 29 grantees under the Employee Pre-IPO Share Option Scheme. As the options are granted by Blink Milestones, our Shares outstanding upon the completion of the Capitalization Issue and the Global Offering would not be diluted by their exercise.

FUTURE PLANS AND USE OF PROCEEDS

We rely on payments made from Lianzhong to the WFOE, our wholly-owned PRC subsidiary, pursuant to the Contractual Arrangements, and the distribution of such payments to Lianzhong Hong Kong (being the immediate holding company of the WFOE) as dividends from the WFOE. Certain payments from Lianzhong to the WFOE are subject to PRC taxes. At the discretion of our Directors, we may declare dividends in the future, depending on our future business conditions and financial results, capital requirements, contractual restrictions, interests of our shareholders and other factors that our Directors deem relevant.

We estimate that we will receive net proceeds of approximately HK\$759.9 million from the Global Offering after deducting underwriting fees and commissions and estimated total expenses paid and payable by us in connection thereto, assuming an Offer Price of HK\$4.25 per Share being the mid-point of the Offer Price range of HK\$3.70 to HK\$4.80 per Share. We intend to use such net proceeds as follows over a period of three to four years after the Listing:

Amount (millions of HK\$)	% of total estimated net proceeds (%)	Intended use
228.0	30	optimise and expand our online game portfolio, especially our mobile card and board game portfolio, and further improve our game development engine, data analytics system and cloud technology infrastructure.
152.0	20	purchase intellectual property rights and distribution licenses of complementary games.
190.0	25	further market our online games by continuing to organise combined online and offline card and board game tournaments and increasing our other advertising and promotional activities.
114.0	15	invest in or acquire independent game developers focused on mobile game to enhance mobile game development and technology capabilities.
76.0	10	supplement our working capital and for other general corporate purposes.

SUMMARY

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase by approximately HK\$103.4 million or decrease by approximately HK\$103.4 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rate basis.

RISK FACTORS

We face a number of risks set forth in “Risk Factors”. In particular, if we fail to continuously strengthen our existing games and launch new games, or if our top games lose their popularity, we may not be able to retain existing players and attract new players, which will adversely affect our business and results of operation. We also rely on a small portion of our active players for a substantial proportion of our revenue. A small number of game categories have generated a majority of our revenue, and any failure to maintain or enhance the performance of these games may adversely affect our business and results of operation. In addition, we generate most of our revenue from sales of virtual goods and membership subscriptions, and failure to maintain or enhance the attractiveness of these products and services may adversely affect our business.

If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, or if these laws and regulations or their interpretations change in the future, we could be subject to severe penalties and our business may be materially and adversely affected. We rely on our Contractual Arrangements to control and obtain economic benefits from our PRC operating entity Lianzhong, which may not be as effective in providing operational control as equity ownership. Please refer to pages 24 to 47 of this prospectus for details of our risk factors, which we strongly urge you to read in full before making an investment in our Shares.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

Listing expenses (excluding underwriting commissions to the Underwriters and listing preparation fees to the Joint Bookrunners) represent professional fees incurred in connection with the Listing. Listing expenses to be borne by our Company are estimated to be approximately RMB24.7 million, of which approximately RMB7.2 million is directly attributable to the issue of new Shares to the public and to be accounted for as a deduction from equity, and of which approximately RMB17.5 million has been or is expected to be reflected in our consolidated statements of comprehensive income. Approximately RMB7.4 million of the listing expenses in relation to services already performed has been reflected in the consolidated statements of comprehensive income of our Group for the Track Record Period, and the remaining amount of approximately RMB10.1 million is expected to be recognised as expenses during the nine months ending 31 December 2014.

In addition, all underwriting commissions will be charged to equity during the nine months ending 31 December 2014, as they are directly attributable to the offering of new Shares. The listing expenses above are the latest practicable estimates and are provided for reference only, and actual amounts may differ. Please refer to page 204 of this prospectus for details of our listing-related expense.

DEFINITIONS

In this prospectus, unless the context otherwise requires, the following words and expressions shall have the following meanings.

“affiliate”	with respect to any specified person, any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person
“Analysys”	Analysys International, an independent industry consultant commissioned by the Group to prepare an independent research report
“Analysys Report”	the independent research report prepared by Analysys on the online card and board game industry in the PRC
“Application Form(s)”	WHITE Application Form(s), YELLOW Application Form(s) or GREEN Application Form(s), individually or collectively, as the context so requires, any of them, which is used in relation to the Hong Kong Public Offering
“ARPPU”	monthly average revenue per paying user, calculated by dividing the average monthly revenue during a certain period by the MPUs during the same period
“Articles” or “Articles of Association”	the articles of association of our Company (as amended from time to time) conditionally adopted on 12 June 2014 which will come into effect upon Listing, a summary of which is set out in Appendix III
“Audited Financial Statements”	the audited consolidated financial statements of our Company for the financial years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 as included in Appendix I to this prospectus
“Board”	the Board of directors of our Company
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“CCASS”	The Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or a general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, except where the context requires otherwise and for the purpose of this prospectus only, excluding Hong Kong, Macau and Taiwan
“CICC”	China International Capital Corporation Hong Kong Securities Limited
“Companies Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and the Companies Ordinance (Chapter 662 of the Laws of Hong Kong), as amended or supplemented from time to time
“Company”, “our Company”, or “the Company”	Ourgame International Holdings Limited, a company incorporated in the Cayman Islands on 4 December 2013
“Concert Party Agreement”	the Agreement entered into among Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Ms Long and Beijing Tongshengcheng Investment Management Center (LLP) on 22 February 2014, pursuant to which Mr Zhang, Mr Liu, Mr Shen, and Ms Long undertook to vote unanimously for any resolution proposed at board and shareholders meetings of our Company and Lianzhong
“Contractual Arrangements”	a series of contractual arrangements entered into on 28 January 2014 by, among others, the WFOE, the PRC Operating Entities and their respective shareholders, details of which are described in the section headed “Contractual Arrangements”
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, in the context of this prospectus, means Mr Zhang, Mr Liu, Mr Shen and Ms Long, who exercise and have exercised their control directly or indirectly through their respective wholly-owned offshore investment holding companies, namely, Elite Vessels Limited, Sonic Force Limited, Blink Milestones Limited, Prosper Macrocosm Limited and Golden Liberator Limited. See the section headed “Relationship with Controlling Shareholders”
“Cornerstone Investor”	People Okooo Media Technology Co., Ltd (人民澳客傳媒科技有限公司), a company incorporated under the laws of the PRC
“Cornerstone Investment Agreement”	the cornerstone investment agreement entered into among the Company, the Cornerstone Investor and the Joint Global Coordinators on 9 June 2014, as further described in the section headed “Cornerstone Investment”
“Director(s)”	the director(s) of our Company
“Employee Pre-IPO Share Option Scheme”	the pre-IPO share option scheme granted to certain employees of our Company. See the section headed “Appendix IV — Statutory and General Information”

DEFINITIONS

“EIT Law”	the PRC Enterprise Income Tax Law
“Founders”	Mr Liu, Mr Zhang, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan
“GAAP”	generally accepted accounting principles
“GAPP”	the PRC State Administration of Press, Publication, Radio, Film and Television (中華人民共和國國家新聞出版廣電總局) or its predecessor General Administration of Press and Publication of the PRC (中華人民共和國新聞出版總署)
“GAPP Online Game Notice”	the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of Imported Online Games (《關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》), promulgated by the GAPP, together with the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, on 28 September 2009
“Global Offering”	the Hong Kong Public Offering and the International Placing
“Green Application Form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider, Computershare Hong Kong Investor Services Limited
“Group”, “our Group”, “the Group”, “we”, “us”, or “our”	the Company, its subsidiary and its PRC Operating Entities from time to time
“HKFRSs”	Hong Kong Financial Reporting Standards
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Hong Kong dollars” or “HK dollars” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong Offer Shares”	the 19,600,000 Shares initially being offered for subscription in the Hong Kong Public Offering (subject to adjustment and reallocation

DEFINITIONS

as described in the section headed “Structure of the Global Offering” in this prospectus)

“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price (plus a brokerage fee of 1%, SFC transaction levy of 0.003% and Stock Exchange trading fee of 0.005%) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section “Structure of the Global Offering — The Hong Kong Public Offering” in this prospectus
“Hong Kong Securities and Futures Ordinance” or “SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Takeovers Code” or “Takeovers Code”	The Codes on Takeovers and Mergers and Share Repurchases issued by the SFC, as amended, supplemented or otherwise modified from time to time
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering as listed in the section headed “Underwriting — Underwriters — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement, dated 17 June 2014, relating to the Hong Kong Public Offering, entered into among the Joint Global Coordinators, the Hong Kong Underwriters, Mr Liu, Mr Zhang, Sonic Force Limited and Elite Vessels Limited and our Company, as further described in the section headed “Underwriting” in this prospectus
“ICP License”	the internet content provider license for the provision of internet information services
“IFRS”	International Financial Reporting Standards, as issued from time to time by the International Accounting Standards Board
“Independent third party”	a person or entity who is not considered a connected person or associate of a connected person of our Company under the Listing Rules
“International Placing”	the conditional placing of the International Placing Shares (a) in the United States to qualified institutional buyers in reliance on Rule 144A or another exemption from the registration requirement under the U.S. Securities Act, and (b) outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act, including to professional investors in Hong Kong, as further described in the section headed “Structure of the Global Offering” in this prospectus

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“International Placing Shares”	the 176,400,000 Shares being initially offered for subscription under the International Placing together, where relevant, with any additional Shares that may be issued pursuant to any exercise of the Over-allotment Option, subject to adjustment and re-allocation as described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriting Agreement”	the international underwriting agreement relating to the International Placing and expected to be entered into by, among others, our Company, the Joint Global Coordinators and the International Underwriters on or about 24 June 2014, as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses — International Placing” in this prospectus
“International Underwriters”	the underwriters of the International Placing
“Jefferies”	Jefferies Hong Kong Limited
“Joint Global Coordinators”	Jefferies and CICC
“Latest Practicable Date”	10 June 2014, being the latest practicable date for ascertaining certain information in this prospectus before its publication
“Lianzhong”	Beijing Lianzhong Co., Ltd. (北京聯眾互動網絡股份有限公司), a company incorporated under the laws of the PRC on 23 March 1998, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements, and one of the PRC Operating Entities
“Lianzhong Hong Kong”	Lianzhong Holdings (Hong Kong) Limited, a limited company incorporated under the laws of Hong Kong on 18 December 2013, a wholly-owned subsidiary of the Company
“Lianzhong International”	Lianzhong International Company Limited, a limited company incorporated under the laws of BVI on 11 July 2011, a wholly-owned subsidiary of Lianzhong
“Lianzhong Shouyou”	Nanjing Shouyou Interactive Network Co., Ltd. (南京首游互動網絡有限公司), a limited company incorporated under the laws of PRC on 24 February 2014, a directly wholly-owned subsidiary of Lianzhong and one of the PRC Operating Entities
“Lianzhong Treasury Land”	Lianzhong Treasury Land Co., Ltd. (formerly known as Lianzhong Taiwan Company Limited), a limited company incorporated under the laws of BVI on 29 June 2012, an indirect wholly-owned subsidiary of Lianzhong
“Listing”	the listing of the Shares on the Main Board
“Listing Committee”	the Listing Committee of the Stock Exchange

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“Listing Date”	the date, expected to be on or about 30 June 2014, on which the Shares are listed and on which dealings in the Shares are first permitted to take place on the Stock Exchange
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (as amended, supplemented or otherwise modified from time to time)
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operates in parallel with the Growth Enterprise Market of the Stock Exchange
“Management Pre-IPO Share Option Scheme”	the pre-IPO share option scheme granted to certain management members of our Company. See the section headed “Appendix IV — Statutory and General Information”
“MAUs”	monthly active users, which is the number of players, as identified by unique account IDs, who entered and played a particular game at least once in the relevant calendar month; repeat entries by the same player account in the same month are counted once only; a player who entered and played two different games in the same month is counted as one MAU for each game
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time) conditionally adopted on 12 June 2014 which will come into effect upon Listing, a summary of which is set out in Appendix III
“MIIT”	the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)
“MMOG”	massively multiplayer online game
“MOC”	the Ministry of Culture of the PRC (中華人民共和國文化部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MPUs”	monthly paying users, which is the number of paying players in the relevant calendar month
“Mr Liu”	Liu Jiang (劉江), an executive Director and one of the Controlling Shareholders
“Mr Shen”	Shen Dongri (申東日), one of the Controlling Shareholders
“Mr Zhang”	Zhang Rongming (張榮明), an executive Director and one of the Controlling Shareholders
“Ms Long”	Long Qi (龍奇), one of the Controlling Shareholders
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.003% and Stock

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	Exchange trading fee of 0.005%) of not more than HK\$4.80 and expected to be not less than HK\$3.70, at which Hong Kong Offer Shares are to be subscribed for and to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Placing Shares together, where relevant, with any additional Shares to be sold by our Company pursuant to the exercise of the Over-allotment Option
“Online Game Measures”	the Interim Measures on Administration of Online Games (《網絡遊戲管理暫行辦法》) issued by the MOC on 3 June 2010, which became effective on 1 August 2010
“Over-allotment Option”	the option expected to be granted by our Company to the International Underwriters, exercisable by the Joint Global Coordinators on behalf of the International Underwriters for up to 30 days from the day following the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to allot and issue up to 29,400,000 additional new Shares (representing in aggregate 15% of the initial Offer Shares) to, among other things, cover over-allocations in the International Placing, if any, details of which are described in the section headed “Structure of the Global Offering — Over-Allocation” in this prospectus
“PRC Operating Entity and its subsidiaries” or “PRC Operating Entities”	Lianzhong and its subsidiaries, i.e. Shanghai Yaozhong, Shanghai Lianzhong, Lianzhong International, Lianzhong Treasury Land and Lianzhong Shouyou, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements
“Pre-IPO Investors”	CMC Ace Holdings Limited and KongZhong Corporation
“Pre-IPO Share Option Schemes”	the Employee Pre-IPO Share Option Scheme and Management Pre-IPO Share Option Scheme
“Pre-IPO Share Subscription Agreement”	the share subscription agreement dated 31 January 2014 entered into among our Company and the Pre-IPO Investors in respect of the subscription of Series A Preferred Shares by the Pre-IPO Investors
“Price Determination Agreement”	the agreement to be entered into between our Company and the Joint Bookrunners, acting on behalf of the Underwriters, on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be 24 June 2014, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than 27 June 2014
“prospectus”	this prospectus
“Qualified IPO”	an initial public offering by the Company of its shares on the Stock Exchange or any other internationally recognised stock exchange

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mutually acceptable to the Company and the Pre-IPO Investors in 2014 with a pre-offering valuation of the Group of at least US\$200 million and with aggregate offering proceeds (before deduction of underwriters' commissions and expenses) of at least US\$50 million, or with respect to an initial public offering after 31 December 2014, with a pre-offering valuation of the Group of at least US\$300 million and with aggregate offering proceeds (before deduction of underwriters' commissions and expenses) of at least US\$75 million

“Regulation S”	Regulation S under the US Securities Act
“RMB” or “Renminbi”	Renminbi, the lawful currency of China
“Rule 144A”	Rule 144A under the U.S. Securities Act
“SAFE”	State Administration of Foreign Exchange of the PRC
“Series A Preferred Shares”	the 85,714,284 convertible preferred shares of par value US\$0.00005 each in the share capital of the Company to be automatically converted into Shares upon the Global Offering becoming unconditional
“SFC”	The Securities and Futures Commission of Hong Kong
“Shanghai Lianzhong”	Shanghai Lianzhong Garden Computer Technology Co., Ltd. (上海聯眾家園電腦技術有限責任公司), a limited company incorporated under the laws of PRC on 23 October 2013, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements and one of the PRC Operating Entities
“Shanghai Yaozhong”	Shanghai Yaozhong Culture Broadcast Co., Ltd. (上海姚眾互動文化傳播有限責任公司) (previously Beijing Yaolian Interactive Culture and Broadcasting Co., Ltd. (北京姚聯互動文化傳播有限公司)), a limited company incorporated under the laws of the PRC on 6 July 2012, the financial results of which have been consolidated and accounted for as a subsidiary of our Company by virtue of the Contractual Arrangements and one of the PRC Operating Entities
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Agreement”	the shareholders agreement dated 31 January 2014 entered into among our Company, Sonic Force Limited, Blink Milestones Limited, Liu Jiang, Elite Vessels Limited, Zhang Rongming, Prosper Macrocism Limited, Shen Dongri, Iconic Ocean Limited, Bao Yueqiao, Golden Liberator Limited, Long Qi, Celestial Radiant Limited, Wu Lan, Lianzhong, the WFOE, CMC Ace Holdings Limited and KongZhong Corporation
“Shareholders' equity”	Shares, accumulated profits and other revenue accounts

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“Shares”	ordinary share(s) in the share capital of our company with a par value of US\$0.00005 each
“Sole Sponsor”	Jefferies
“Stabilisation Manager”	Jefferies
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in section 2 of the Companies Ordinance
“Track Record Period”	the three financial years ended 31 December 2013 and the three months ended 31 March 2014
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “US”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US dollars” or “US\$”	United States dollars, the lawful currency of the United States
“US SEC”	Securities and Exchange Commission of the United States
“US Securities Act”	United States Securities Act of 1933, as amended
“VATS License”	the license for value-added telecommunications services
“White Form eIPO”	the application for Public Offer Shares to be issued in the applicant’s own name, submitted online through the designated website of the White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“WFOE”	Beijing Lianzhong Garden Network Technology Co., Ltd. (北京聯眾家園網絡科技有限責任公司), a limited company incorporated under the laws of PRC on 21 January 2014 and the wholly-owned subsidiary by Lianzhong Hong Kong
“%”	percent

Unless otherwise specified, statements contained in this prospectus assume no exercise of the Over-allotment Option. See the section headed “Underwriting” in this prospectus.

The terms “associate”, “connected person”, “connected transaction”, and “substantial shareholder” shall have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

Unless otherwise specified, translations of RMB into HK\$ in this prospectus are based on the rate of HK\$1.00: RMB0.79486, being the PBOC Rate prevailing on 6 June 2014, and translations of RMB into US\$ are based on

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the rate of US\$1.00 : RMB6.2498, being the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board on 6 June 2014.

No representation is made that any amounts in HK\$, RMB and US\$ can be or could have been converted at the relevant dates at the above rates or any other rates at all.

Certain amounts and percentage figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

Unless otherwise expressly stated or the context otherwise requires, all data in this prospectus is as of the date of this prospectus.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus are forward looking statements that are, by their nature, subject to significant risks and uncertainties. Any statements that express, or involve discussions as to, expectations, beliefs, plans, objectives, assumptions or future events or performance (often, but not always, through the use of words or phrases such as “will” “expect”, “anticipate”, “estimate”, “believe”, “going forward”, “ought to”, “may”, “seek”, “should”, “intend”, “plan”, “projection”, “could”, “vision”, “goals”, “objective”, “target”, “schedules” and “outlook”) are not historical facts, are forward-looking and may involve estimates and assumptions and are subject to risks (including the risk factors detailed in this prospectus), uncertainties and other factors some of which are beyond our Company’s control and which are difficult to predict. Accordingly, these factors could cause actual results or outcomes to differ materially from those expressed in the forward-looking statements.

Our forward-looking statements have been based on assumptions and factors concerning future events that may prove to be inaccurate. Those assumptions and factors are based on information currently available to us about the businesses that we operate. The risks, uncertainties and other factors, many of which are beyond our control, that could influence actual results include, but are not limited to:

- our business and operating strategies and our ability to implement such strategies;
- our ability to develop and manage our game portfolio;
- our capital expenditure programmes and future capital requirements;
- general economic, political and business conditions in the PRC;
- market demand and monetization strategy for our games;
- our future general and administrative expenses;
- competition for, among other things, capital, technology and skilled personnel;
- risks arising from future acquisition and / or disposal activities;
- all other risks and uncertainties described in the section headed “Risk Factors” in this prospectus .

Since actual results or outcomes could differ materially from those expressed in any forward-looking statements, we strongly caution investors against placing undue reliance on any such forward-looking statements. Any forward-looking statement speaks only as of the date on which such statement is made, and, except as required by the Listing Rules, we undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Statements of or references to our intentions or those of any of our Directors are made as at the date of this prospectus. Any such intentions may change in light of future developments.

All forward-looking statements in this prospectus are expressly qualified by reference to this cautionary statement.

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You should carefully consider all of the information in this prospectus, including the following risk factors before making any investment decision in relation to the Offer Shares. Our business, financial condition or results of operations could be materially and adversely affected by any of these risk. The market price of the Offer Shares could fall significantly due to any of these risks, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, some of which are beyond our control. We have categorized these risks and uncertainties into: (i) risks relating to our business and industry; (ii) risks relating to our corporate structure; (iii) risks relating to conducting business in the PRC; and (iv) risks relating to the Global Offering.

RISKS RELATING TO OUR BUSINESS AND OUR INDUSTRY

If we fail to continuously strengthen our existing games and launch new games, or if our top games lose their popularity, we may not be able to retain existing players and attract new players, which will adversely affect our business and results of operation.

To retain existing players, attract new players and convert non-paying players to paying players, we must continuously strengthen our existing game portfolio and launch high quality new games. Most of our card and board games, including our top three game categories, Texas Hold'em, Mahjong, and Fight the Landlord, which together accounted for 53.6%, 66.1%, 72.9% and 77.7% of our revenue for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively, are classic games with rich traditions and long product lifecycles. However, we cannot be certain that these games will continue to maintain their current level of popularity. In particular, one of our top game categories, Texas Hold'em, has a relatively short history in China. We do not know whether it will achieve broad and lasting popularity in China like our traditional Chinese game categories such as Mahjong and Fight the Landlord. Constantly evolving player tastes and preferences also require us to continuously enhance the artistic designs and develop new versions of these classic games. Because we expect mobile games to be a major driving force of the online game industry, we must continue to invest significant resources in the development of new mobile games. The success of our new mobile games will depend on many factors, including our ability to optimize our popular PC games for mobile devices, integrate our PC and mobile games into a seamless platform and accelerate monetization of mobile games. If we are unable to accurately predict and effectively respond to changing industry trends and player preferences, our player base may not increase at the rate we expect, or at all, and it may even decrease. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

We rely on a small portion of our active players for a substantial proportion of our revenue.

During the Track Record Period, only a small portion of our active players were paying players. For example, for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, the average MPUs for our PC games were 166.2 thousand, 192.5 thousand, 256.5 thousand and 309.0 thousand, respectively, representing 3.5%, 2.5%, 2.6% and 3.1%, respectively, of the average MAUs for our PC games for these periods. As for our mobile games, we are still at an early stage of monetization. For the last three quarters of 2013, the average MPUs for our mobile games were 105.7 thousand, representing approximately 0.9% of the average MAUs for our mobile games for the same period. For the first quarter of 2014, the average MPUs for our mobile games were 259.4 thousand, representing approximately 1.8% of the average MAUs for our mobile games for the same period. To sustain our revenue growth, we must continue to attract and retain players and/or more effectively monetize our players. If we are unable to retain our paying players, attract new paying players and convert non-paying players to paying players, or if we are unable to maintain and enhance the attractiveness of our virtual goods, so as to increase the consumption levels of our paying players, our revenue may not grow or may even decrease and our business may suffer.

A small number of game categories have generated a majority of our revenue, and any failure to maintain or enhance the performance of these games may adversely affect our business and results of operation.

A small number of game categories have contributed a majority of our revenue during the Track Record Period and we expect that this revenue concentration will continue in the foreseeable future. For example, our three

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highest revenue-generating game categories, Texas Hold'em, Mahjong and Fight the Landlord, generated an aggregate of 53.6%, 66.1%, 72.9% and 77.7% of our revenues in 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively. Although we believe that all these three game categories have rich offline traditions and long product lifespans, we cannot assure you that players will not lose interest in these games over time. To maintain the popularity of these game categories, we must continue to enhance playing experience and customer service, and we must continue to introduce new features to and develop new versions of these classic games. We must also continue to maintain a well-balanced game portfolio and increase monetization of our other game categories. If our top three game categories become less popular or if revenue generated from these game categories declines for any reason, and if we fail to significantly increase the revenue generated from our other game categories, our business and results of operation may be adversely affected.

We generate most of our revenue from sales of virtual goods, and failure to maintain or enhance the attractiveness of our virtual goods may adversely affect our business.

Substantially all of our games are free to play, and we generate most of our revenues from sales of virtual goods. Players may lose interest in the virtual goods we currently offer, such as personalized avatars and short-character account IDs, and we may not be able to introduce new and attractive virtual goods or we may not be able to promote them effectively. There is no assurance that a sufficiently broad base of game players will continue to accept our current revenue model or that a new, competing business model will not emerge. If we fail to continue to monetize our player base through sales of virtual goods, our business, financial condition and prospects may be materially and adversely affected.

We historically derived a majority of our revenue from games available in our PC client portal Ourgame Hall, and our business and results of operation may be materially and adversely affected if Ourgame Hall loses its popularity.

Ourgame Hall is our proprietary PC client portal that includes an extensive catalogue of over 200 games. Historically, we have derived a majority of our total revenue from games available in Ourgame Hall. For example, we derived over 90% and over 80% of our revenue from games available in Ourgame Hall in 2011 and 2012, respectively. Since 2013, we have implemented a uniform virtual currency system across our core PC games and have no longer broken down revenue from Ourgame Hall games and PC web games, but the revenue contribution by Ourgame Hall games remained significant. Furthermore, users of Ourgame Hall tend to play longer and spend more than web game and mobile game players. However, changing industry trends and player behaviours may render Ourgame Hall less popular in the future. Playing games in Ourgame Hall requires players to first install the client software on their PCs. Compared to mobile games, Ourgame Hall games are less accessible to players when they are on the go or have fragmented playing times. If we are unable to retain and attract users of Ourgame Hall, our overall revenue may not increase at the rate we expect, or at all, and may even decrease. As a result, our business and results of operations may be materially and adversely affected.

We rely on third-party channels to distribute a substantial number of our games, and our business and results of operations may be adversely affected if these third-party channels breach their obligations to us, or if we fail to maintain relationships with a sufficient number of channels, or if our commercial arrangements with these third-party channels become less favourable to us, or if these channels lose popularity among internet users.

In addition to our own PC client portal, Ourgame Hall, and our own websites, ourgame.com and lianzhong.com, our web games are distributed through approximately 30 third-party channels such as Baidu and Sina Weibo, and our mobile games are distributed through a number of third-party channels such as Google Play Store, Apple App Store and 360 Mobile Assistant. Most notably, China Mobile is an important distributor of both our mobile games and our web games. In addition to distributing our games on its websites, g.10086.cn and feixin.10086.cn/game, China Mobile also provides a payment channel which allows its users to purchase our virtual currencies.

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We rely on these third parties to distribute our games on their platforms, record purchases and collect payments from players and make timely payments to us of our share of the revenues generated from our games. Some distribution channels, such as Qihoo 360 and PPS, have dedicated webpages for our games, which helps promote our brand and games. Our mobile business is particularly reliant on third-party distributors. During the Track Record Period, all of our mobile revenue was generated by games distributed through third-party channels.

We are subject to various risks and uncertainties associated with these third-party distributors. They may fail to effectively promote our games on their platforms or otherwise fulfil their obligations to us, including the obligation to remit our share of the revenues in a timely manner. Certain of these distributors have their own in-house game development capabilities or may consider establishing such capabilities in the future. As such, we may be subject to direct competition and potential conflicts of interest with our distributors. We therefore cannot guarantee that our distributors will always maintain a cooperative relationship with us. Furthermore, any of our distributors may modify its terms of services or other policies, provide more favourable terms to our competitors, lose its popularity among internet users, go out of business or discontinue its business relationship with us. In particular, our current distribution agreement with China Mobile is renewed on a yearly basis with no guarantee of renewal. We cannot be certain that China Mobile will not discontinue distributing our mobile or PC games due to its change of internal policy or any other reason. If any of the above occurs, our business may suffer, and we may need to identify alternative platforms for promoting and distributing our online games, which would consume substantial resources and may not be effective, or available at all.

Our growth prospects will suffer if we are unable to develop successful mobile games and accelerate monetization of our mobile game players, and the rapid growth of our mobile games during the Track Record Period may not be indicative of their future growth.

The mobile game market in the PRC has experienced significant growth in the past few years. According to the Analysys Report, the total revenue of the Chinese mobile game market increased from RMB3.29 billion in 2010 to RMB12.1 billion in 2013. To capitalise on the growth of mobile games in China, we have invested significant resources in developing and promoting mobile games. During the Track Record Period, our mobile player base grew significantly. The combined average MAUs for our top three mobile games increased from 7.9 million in the first quarter of 2013 to 14.1 million in the first quarter of 2014. For the year ended 31 December 2013 and the three months ended 31 March 2014, the average MAUs for our mobile games exceeded the average MAUs for our PC games. Our revenue derived from mobile games also grew at a faster rate than our revenue derived from PC games, increasing from RMB3.8 million in 2011 to RMB15.6 million in 2013, representing a CAGR of 102.0%, as compared to a CAGR of 19.3% for our revenue derived from PC games during the same period. However, we only started to offer mobile games for smart mobile devices in 2011. The rapid growth of our mobile games during the Track Record Period may not be indicative of their future growth, and our limited history of operating mobile games makes it difficult to evaluate our growth prospects and future financial results.

We plan to continue to expand our mobile game portfolio and accelerate monetization of the large mobile player base we have built up. However, it is difficult to predict whether we will be able to continue to develop popular mobile games with substantial revenue-generating potential. The uncertainties we face include:

- given the intense competition in the mobile game market, we may not be able to maintain and enlarge our mobile player base or to attract and retain game developers with strong skills and experience in mobile game development;
- given the continuously changing dynamics of the mobile game market, we may not be able to maintain and enhance the attractiveness of our virtual goods so as to retain our paying players, attract new paying players, convert non-paying players to paying players, or to increase the consumption levels of our paying players;
- because player demographics and playing behaviours differ significantly between PC games and mobile games, our experience in monetizing PC games may not be relevant to accelerating our mobile revenue growth;

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- given the short product cycles of mobile devices and frequent upgrades of mobile operating systems, we may not be able to optimise our games for these new devices and upgraded operating systems in a timely manner, and we may need to incur additional costs to ensure that our games are compatible with a wide array of mobile devices and operating systems; and
- we may not be able to seamlessly integrate our PC games and mobile games to increase platform-wide stickiness.

These and other uncertainties make it difficult to assess whether we will be able to develop and operate popular and profitable mobile games. If we fail to do so, our growth prospects will suffer and we may be unable to recoup the investment we have made in developing and promoting these games.

If we fail to maintain our brand recognition, we may face difficulty in attracting new players and establishing new business relationships.

According to the Analysys Report, Ourgame is a widely recognised online card and board game brand in China. Players' word of mouth is important for us to expand the market reach of our online games. We believe that maintaining and enhancing the Ourgame brand is crucial for us to attract new players to our online game platform and to establish new business relationships with third-party game distributors and sports organisations. We must continuously exercise strict quality control with respect to our games to ensure that our brand image is not tarnished by substandard or prematurely released games. Given the high degree of similarity between card and board game products in the market, we must also find ways to distinguish our games from our competitors' to avoid the dilution of our brand recognition. If for any reason we are unable to maintain and enhance our brand recognition, our business and results of operation may suffer.

If we fail to maintain or expand our offline marketing activities, our ability to attract new players to our online game platform may be adversely affected.

We operate combined online and offline card and board game tournaments as an important marketing strategy. We rely on the publicity of high-profile combined online and offline tournaments to further strengthen our brand image and attract new players to our online game platform. The continued expansion of our offline marketing activities is subject to a number of uncertainties. If for any reason our combined online and offline events do not meet the expectations of government authorities or our business partners, our reputation, our relationship with these government authorities or business partners and our ability to attract new players to our online game platform may be negatively affected. Since 2012, we have organised annual Texas Hold'em Tournaments in China sanctioned by the World Poker Tour (the "WPT"). However, we may not be able to sustain our relationship with the WPT in the future. Even if we can continue to organise WPT events in China, we cannot be certain that we will continue to be the exclusive WPT tournament organiser in the PRC. We are a co-organiser of the 14th World Bridge Series Championships, a prestigious international Bridge competition event to be held in Sanya, Hainan in October 2014. However, this is a quadrennial event rotated in different countries, and we may not be able to obtain opportunities to organise other international events that are of similar prestige and influence. Furthermore, to organise combined online and offline card and board game tournaments, we must obtain certain permits from relevant state and local governments in the PRC. We cannot assure you that our current government permits will not be revoked or we will be able to renew or obtain government permits without significant difficulties, or at all, in the future.

Our games and business operation are subject to various PRC laws and regulations, and we cannot assure you that such laws and regulations will not be interpreted in ways unfavourable to us.

As electronic publications that provide telecommunication services and internet culture services, online games are subject to various PRC laws and the supervision and regulation of multiple government authorities including the MIIT, the GAPP, the National Copyright Administration and the MOC. We face risks and uncertainties

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relating to the applicability of certain PRC laws and regulations to our card and board games. In 2007, eight government authorities, including the GAPP and a predecessor to the MIIT, jointly issued the Notice Regarding the Implementation of Anti-Addiction System on Online Games in Protecting the Physical and Mental Health of Minors (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》) (the “**Anti-Addiction Notice**”). In accordance with the Anti-Addiction Notice, from 16 July 2007, all online games are required to include an anti-addiction system that reduces the in-game incentives after a certain period of playing time each day for players who have not been determined to be over 18 years old through real-name authentication. Compliance with the Anti-Addiction Notice and other applicable laws and regulations may affect player engagement. For example, implementing the mandatory anti-addiction system in our games may reduce playing time of some players, such as minors or other players who have not gone through real-name authentication. Additionally, ensuring compliance with applicable laws and regulations may increase our game development costs.

Our virtual currencies and certain virtual goods are also subject to PRC laws and regulations. In addition, we may be held liable for inappropriate behaviour by our players. We have adopted policies and implemented measures to comply with applicable laws and regulate player behaviours. Our virtual game points and virtual goods can only be used in our games and have no monetary value outside our games. We prohibit players from engaging in transfers of virtual currency between themselves. We actively monitor such transfers and other offensive player behaviour on our online game platform. However, we cannot assure you that all our players will comply with applicable laws and our policies or that we will not be held liable for their violations.

With our in-game chatting feature, our players can engage in private or public conversations with one another. It is possible that certain players may use offensive, abusive, obscene or otherwise unlawful language that may negatively affect our other players or violate relevant PRC laws. Our analytics system can automatically detect and block player communications containing inappropriate or unlawful keywords. However, we cannot be certain that we can completely prevent such communications. In serious cases, government authorities may require us to discontinue or restrict certain features or services that would have led, or may lead, to such unlawful communications, which may substantially and adversely affect our reputation, operations and business.

As at the Latest Practicable Date, none of our games or our game business had been challenged or subject to any regulatory actions by any governmental authorities in the PRC. However, there is no assurance that our online games will not be deemed to violate any applicable PRC laws in the future. Similarly, there is no assurance that our game business will not be challenged or subject to any regulatory actions in the PRC. If we are forced to discontinue any of our existing games or if we are unable to offer any new games in the PRC due to regulatory restrictions, our business and growth prospects may be materially and adversely affected.

We face intense competition in the online game industry and from other entertainment options.

The online game industry is highly competitive. The development of online card and board games tends to be less costly and time consuming than the development of many other online games. Although we believe that successful operation of online card and board games requires strong brand recognition and operation expertise, we expect more companies to enter this business and a number of new online card and board games to be introduced. New entrants to this market may be able to develop similar games to ours without significant investment in research and development or innovation. Many of our games, such as Texas Hold'em, Fight the Landlord and Mahjong, are based on popular card and board games, and we cannot prevent other game developers from using the same underlying game rules in their games, which may have the same or similar names to our games. In addition, online game companies are quick to imitate other companies that have released successful products. For example, since we launched our innovative mobile game *Single-Player Fight the Landlord* in 2011, similar products have been introduced in the mobile game market, which may create confusion among consumers. We compete with Tencent Holdings Limited, an internet service portal, which is able to leverage its large user base generated by its comprehensive services to operate a successful online game business.

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We also compete with other online game developers and operators of online game platforms in China, such as Bianfeng Games, Boyaa Interactive, Poker City and JJ World. If we fail to compete effectively, we may lose players, our market share may decrease and our business, financial condition and prospect will be materially and adversely affected.

In addition, the competition within the broader entertainment industry is intense. Our players are offered with a vast range of entertainment options and may be attracted to other competing forms of entertainment, such as traditional online or offline games, movies, televisions and sports. These other entertainment options compete for the discretionary time and income of our players. If we are unable to sustain sufficient interest in our games, our business model may no longer be viable and profitable.

Our success depends on the continuing efforts of our senior management team and other key personnel and our business may be harmed if we lose their services.

Our future success depends heavily upon the continuing services of the members of our senior management team. In particular, Mr Yang Eric Qing, the Chairman of our Board of Directors and co-Chief Executive Officer, has extensive expertise in management and business strategies. Mr Ng Kwok Leung Frank, our co-Chief Executive Officer, has worked for our Company for approximately ten years and is our leading expert in the operation of online card and board games. Mr Zhang Peng, our President, is a veteran of the mobile industry in China and has received a national technology advancement award for his research project on mobile operation platforms. If one or more of our senior executives or other key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all, and our business may be disrupted and our financial condition and results of operations may be materially and adversely affected. Competition for experienced management personnel and highly skilled game developers in the online game industry is intense, and we may not be able to retain the services of our key management personnel or game developers, or attract and retain high-quality key management personnel or game developers in the future. In addition, if any of our key management personnel or any of our highly skilled game developers joins a competitor or forms a competing company, we may lose players, know-how and key professionals and staff members.

Each of our executive officers and key employees has entered into a confidentiality agreement with non-compete provisions with us as part of their respective employment agreement with us. These agreements are governed by PRC law and any disputes would be resolved in accordance with PRC legal procedures. The PRC legal environment differs in significantly ways from those of other jurisdictions such as Hong Kong, and uncertainties in the PRC legal system could limit our ability to enforce these agreements. See “Risk Factors — Risks Relating to Conducting Business in the PRC — Uncertainties with respect to the PRC legal system could adversely affect us”. Accordingly, if any disputes arise between any of our senior executives or key personnel and us, it may be difficult to enforce these agreements against these individuals. In addition, members of our senior management team may attract media coverage and publicity from time to time. To the extent such media coverage or publicity is negative in nature, whether or not the negative implications they contain are substantiated, our reputation may suffer.

We are subject to payments-related risks, which could adversely affect our reputation and results of operations.

We rely on a number of collection channels, including the online banking services of major Chinese banks, distributors of pre-paid game cards, mobile carriers and various third-party payment channel providers, to collect a substantial proportion of our revenue. Most of our revenue derived from mobile games and some of our revenue derived from PC games are collected by mobile carriers, particularly China Mobile, which is both a distributor of our mobile and web games and a payment channel provider. We also cooperate with various third-party online payment platforms such as Union Mobile Pay, 99Bill and Shenzhoufu to enable our players to make payments through such payment platforms. In the years ended 31 December 2011, 2012 and 2013 and the three

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months ended 31 March 2014, approximately 10.2%, 9.1%, 5.5% and 5.7%, respectively, of our revenue was collected by Union Mobile Pay, and approximately 7.0%, 8.0%, 29.0% and 37.0%, respectively, of our total revenue was collected by Industrial and Commercial Bank of China. In addition, in the year ended 31 December 2013 and the three months ended 31 March 2014, approximately 25.8% and 24.0%, respectively, of our revenue was collected by China Mobile. If any of our major payment service providers were to become unable or unwilling to settle the receivables in a timely manner or at all, our liquidity could be adversely affected and we may have to write off receivables or increase provisions against bad debts. Also, if any of our major payment service providers were to become unable or unwilling to provide payment processing services, our business condition and results of operations could be materially and adversely affected.

In all the online payment transactions through these payment service providers, secured transmission of confidential information, including bank account numbers and critical personal information of the players, over public networks is essential to maintain our players' confidence in us and our games. We also rely on the stability of such payment transmissions to ensure the continued payment services provided to our players. We do not have control over the security measures of our third-party online payment service providers. If any of these third-party online payment service providers fails to process, or ensure the security of, players' payments for any reason, our reputation will be damaged and we may lose our paying players and discourage potential purchases, which in turn, will materially and adversely affect our business, financial condition and prospects.

Unauthorised transfers of our virtual currency and virtual goods against our policies may negatively affect our revenue and business growth.

In compliance with PRC law, our virtual currency and virtual goods have no monetary value outside our games. Although our policies prohibit players from selling our virtual currency and virtual goods among themselves, and we have adopted technical measures to prevent such transfers, we may not be able to completely prevent such unauthorised transfers through third-party channels or directly among players themselves. Because such unauthorised transfers are against PRC law, we may be subject to regulatory supervision by relevant government authorities in relation to such transfers even though we do not play any facilitative role. As a result, our legal compliance costs may increase. In addition, such unauthorised transfers may lead to disputes among players, which may have an adverse effect on player satisfaction. Furthermore, such unauthorised transfers may harm our revenue growth because they may divert sales from our official channels and may create downward pressure on the prices we charge our players for our virtual currency and virtual goods. These transfers may also increase our technology costs to curtail such unauthorised transactions and our customer support costs to respond to dissatisfied players.

Hacking or cheating activities could harm our business and reputation and materially and adversely affect our results of operations.

With the increase in the number of online game players in China, online game operators have increasingly encountered problems arising from hacking or cheating activities. We did not encounter significant hacking attacks during the Track Record Period, but we have from time to time detected a number of players who have gained an unfair in-game advantage by using cheating tools. In response to these activities, we have installed built-in detection mechanisms in our games to identify various hacking and cheating activities, and have established a security department dedicated to detecting unauthorised activities and abnormal changes in virtual game points and virtual goods. Continued occurrences of hacking and cheating activities may negatively impact the image of our online games and players' perception of their reliability, decrease the number of players, reduce the players' interest in purchasing our virtual goods and adversely affect our results of operations. Furthermore, once we detect the players who have engaged in hacking or cheating activities, we generally suspend their access to their respective accounts, which may result in significant user dissatisfaction and cause some of these players to cease to play our games altogether.

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Acquisition, investments and strategic alliances could adversely affect our business and results of operations.

To leverage our popular online game platform and complement our self-developed game portfolio, we have invested in and acquired the intellectual property rights of a small number of games developed by third-party game developers. In 2012, we acquired a minority interest in Beijing Linghegu Online Technology Co., Ltd. (“Beijing Linghegu”), a mobile game developer. As of the Latest Practicable Date, we held 14.21% interest in Beijing Linghegu. We may in the future continue to explore suitable investment and acquisition opportunities. Although we will conduct careful analysis of the potential player base and earning prospects with respect to any third-party game we intend to invest in or acquire, we cannot assure you that the games we do acquire will be accepted by players and generate our expected revenues. If our investment in and acquisition of third-party games are not successful, our business and results of operation may be adversely affected. Our failure to address the risks or other problems encountered in connection with our future acquisitions and investments could cause us to fail to realise the anticipated benefits of such acquisitions or investments, incur unanticipated liabilities and harm our business generally. If we use our equity securities to pay for acquisitions, we may dilute the value of our Shares. If we borrow funds to finance acquisitions, such debt instruments may contain restrictive covenants that could, among other things, restrict us from distributing dividends. Such acquisitions may also generate significant amortisation expenses related to intangible assets.

We have also entered into various strategic alliances to organise combined online and offline events and promote our online games. However, the interests of our joint venture and other strategic partners may not align with ours, and we cannot be certain that these and similar investments in the future will attract a sufficient number of new paying players to our online game platform and generate positive returns to these investments. In addition, strategic alliances with third parties could subject us to a number of risks, including risks associated with sharing proprietary information, non-performance by the counterparties, reputation risk and an increase in expenses incurred in establishing new strategic alliances, any of which may materially and adversely affect our business. To the extent the third parties suffer negative publicity or harm to their reputations from events relating to their business, we may also suffer negative publicity or harm to our reputation by virtue of our association with such third parties.

Currently we operate substantially all of our business in the PRC. However, we plan to start expanding into select overseas markets. We have established a Hong Kong subsidiary, Lianzhong Hong Kong, which will serve as the main control hub of our overseas business. However, international expansion may subject us to a number of significant risks. We may not be able to identify the optimal overseas markets. We may not be able to recruit and retain talented local management and game development personnel in those overseas markets, and we may not be able to effectively compete with local game providers with established market shares. Furthermore, we may incur significant costs associated with doing business internationally, including additional marketing costs and compliance costs. If we are unable to effectively manage the risks and costs of our international expansion, our growth and prospects may be adversely affected.

We have not complied with the pre-approval requirement of the GAPP and the filing requirement of the MOC for 35 games, which may subject us to penalties and adversely affect our business.

Under the GAPP Online Game Notice, online games shall not be uploaded to and published on the internet without pre-approval by the GAPP. Otherwise, the GAPP will notify the relevant local press and publication authorities to stop the operation of these games and carry out investigations and impose penalties in accordance with law. The GAPP Online Game Notice does not specify what penalties may be imposed. Under the Online Game Measures, with respect to online games that are developed in the PRC, game operators shall file with the MOC within 30 days after these games are uploaded to the internet and put into operation. Otherwise, the relevant local culture authorities may issue a rectification order and impose a fine of up to RMB20,000 per game.

As of the 31 March 2014, out of the 219 games that we were operating, we were still in the process of obtaining approvals from the GAPP for 35 of our online games and for which we failed to make the requisite filings with

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the MOC within 30 days after they were uploaded to the internet and put into operation. As of the Latest Practicable Date, the Beijing Press and Publication Bureau had approved our publications of all of these 35 games, but we were still waiting for the final approval from the GAPP. Subsequent to 31 March 2014, we suspended the operation of one of these games for a major upgrade, and withdrew our application for approval to the GAPP with respect to this game. As of the Latest Practicable Date, we had obtained approval from the MOC for the filings of the remaining 34 games.

Our Directors and PRC Legal Advisor are of the opinion that our non-compliance with the GAPP pre-approval requirement and the MOC's filing requirement for the aforementioned 35 games is not material. See the section headed "Business — Compliance — Non-compliance with the Pre-approval and Filing Requirements for Online Games — Non-materiality of non-compliance" in this prospectus. However, we cannot assure you that we will not be penalised by the GAPP, the MOC or other government authorities for such non-compliance. Potential penalties include an order to stop the operation of these 35 games. Although these games only accounted for approximately 4.9% of our total revenue in 2013, stopping their operation may adversely affect our business and results of operation and may significantly increase our legal and compliance costs.

Undetected programming errors or flaws in our games, or failure to maintain effective customer service could harm our reputation or decrease market acceptance of our games, which would materially and adversely affect our results of operations.

Our games may contain errors or flaws, which may only become apparent after their release, particularly as we launch new games or introduce new features to existing games under tight time constraints. Furthermore, customer service is critical for retaining customers, and we may not be able to maintain and continuously improve the quality of our services to meet customers' expectations. If our games contain programming errors or other flaws, or if we fail to provide effective customer service, our players may be less inclined to continue or resume playing our games or recommend our games to other potential players, and may switch to our competitors' games. Undetected programming errors, game defects and unsatisfactory customer service can disrupt our operations, adversely affect the game experience of our customers, harm our reputation, cause our customers to stop playing our games, and delay market acceptance of our games, any of which could materially and adversely affect our results of operations.

If our technology infrastructure experience unexpected failure, interruption or security breaches, our business may be harmed.

Any failure to maintain the satisfactory performance, reliability, security and availability of our network and computer infrastructure may cause significant harm to our reputation and our ability to attract and maintain players. From time to time, our customers in certain locations have been unable to gain access to our online game services for periods of time lasting from several minutes to several hours, due to server interruptions, power shutdowns, internet connection problems or other reasons. Any server interruptions, break-downs or system failures, including failures which may be attributable to events within or outside our control that could result in a sustained shutdown of all or a material portion of our services or loss of critical customer data, could adversely impact our ability to service our players and lead to player attrition and revenue reduction. In addition, we rely on third-party service providers for certain key aspects of our network infrastructure and technology systems, including storage and maintenance of a large number of servers owned by us and hosted in seven cities in China as of 31 March 2014.

Furthermore, as we operate all our games in China, we depend on the performance and reliability of the internet infrastructure in China that is maintained through state-owned telecommunications carriers. The PRC government controls virtually all internet access in China and may occasionally block internet access throughout the country or in certain regions due to political concerns, in particular in response to, or out of concerns in connection with, special incidents or significant events, thereby preventing people in China, including our

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players, from accessing the internet and playing our online games. Any disruptions or other problems with these third-party services and government-controlled infrastructure are out of our control and may be difficult for us to remedy. If our arrangements with any of these third parties are terminated, invalidated, or modified against our interest, we may not be able to find alternative services or solutions on a timely basis or on terms favourable to us, or at all. Our network systems are also vulnerable to damage from computer viruses, fire, flood, earthquake, power loss, telecommunications failures, computer hacking and similar events. We do not maintain insurance policies covering losses relating to our systems and do not have business interruption insurance.

We may not be able to prevent others from infringing our intellectual property rights, which may harm our business and expose us to litigation.

We regard our proprietary software, domain names, trade names, copyrights, trademarks, trade secrets and similar intellectual properties as critical to our success. In particular, we have spent significant time and resources developing our card and board game artificial intelligence (“AI”) and our game development engine. We have taken steps to prevent the misappropriation of our proprietary technology, including registration of our existing online games for copyright and patent protection in China, registration of our domain names and entering into non-competition and confidentiality agreements with our key employees. However, these steps may be inadequate or ineffective. Any misappropriation of intellectual property used in our business, whether licensed to us or owned by us, could have an adverse effect on our business and operating results. We may need to resort to court proceedings to enforce our intellectual property rights in the future. Litigation relating to our intellectual property might result in substantial costs and diversion of resources and management attention away from our business, and we may not be able to enforce our rights. See “Risk Factors — Risks Relating to Conducting Business in the PRC — Uncertainties with respect to the PRC legal system could adversely affect us”.

We may be subject to intellectual property rights claims or other claims which could result in substantial costs and diversion of our financial and management resources away from our business.

We cannot assure you that our online games or other content posted on our websites and within our game software, especially games developed by our business partners, do not or will not infringe patents, copyrights or other intellectual property rights held by third parties. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others. In addition, some of our employees were previously employed at other companies, including our current and potential competitors. We also intend to hire additional personnel to expand our product development and technical support teams. To the extent these employees are involved in research at our company similar to research in which they have been involved at their former employers, we may become subject to claims that such employees or we may have used or disclosed trade secrets or other proprietary information of the former employers of our employees. In addition, our competitors may file lawsuits against us in order to gain an unfair competitive advantage over us. Although we are not aware of any significant pending or threatened claims, if any such claim arises in the future, litigation or other dispute resolution proceedings may be necessary to retain our ability to offer our current and future games, which could result in substantial costs and diversion of our financial and management resources. Furthermore, if we are found to have violated the intellectual property rights of others, we may be enjoined from using such intellectual property rights, incur additional costs to license or develop alternative technologies or games and be forced to pay fines and damages, any of which may materially and adversely affect our business and results of operations.

We have granted employee share options and other share-based compensations in the past and may continue to do so in the future, which may have an adverse effect on our results of operation.

In 2012, certain key employees were awarded options to purchase shares of Lianzhong, and we recognised share-based compensation expense of RMB1.0 million and RMB490,000 for the years ended 31 December 2012 and 2013, respectively. On 20 February 2014, these options were replaced by options granted by Blink Milestones, a wholly-owned subsidiary of Mr Liu, to purchase 12,152,381 of our Company’s ordinary shares already issued

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and held by Blink Milestones in our Company representing approximately 4.25% of our Company's share capital or 1.55% of the enlarged issued share capital of our Company immediately after completion of the Capitalization Issue and the Global Offering (assuming the Over-allotment Option and the options under the Management Pre-IPO Share Option are not exercised). In addition, on 20 February 2014, we granted options to three senior executives, Mr Yang Eric Qing, Mr Ng Kwok Leung Frank and Mr Zhang Peng to purchase Shares of the Company that will represent approximately 6.38% of our issued capital after the completion of this Global Offering. As a result of the aforementioned replacement and issuance of options, we recognised share-based compensation expenses of RMB3.1 million for the three months ended 31 March 2014. As of the Latest Practicable Date, no option had been exercised, and no other options to purchase ordinary shares of the Company were issued or outstanding. We may grant additional employee share options or other share-based compensation in the future. As a result, we expect to incur in future periods significant share-based compensation expenses. The amount of these expenses will be based on the fair value of the share-based options. We account for compensation costs for all share options using a fair-value based method and recognise expenses in our consolidated statements of comprehensive income in accordance with IFRS. The expenses associated with share-based compensation will decrease our net profit and the additional shares issued will dilute the ownership interests of our shareholders. However, if we limit the scope of share option grants or other share-based compensation awards, we may not be able to attract or retain key personnel who expect to be compensated by incentive shares or options.

Discontinuation of any preferential tax treatment could materially and adversely affect our financial condition and results of operations.

Under the EIT Law, the current statutory enterprise income tax rate is 25%. Our PRC operating entity, Lianzhong has been qualified as a High and New Technology Enterprise since no later than 2008. Under the relevant PRC tax regulations, as a High and New Technology Enterprise, Lianzhong is entitled to a preferential tax rate of 15%. Lianzhong last renewed this qualification in 2011 for the three-year period commencing from 11 October 2011, and plans to apply for renewal of this qualification again in September 2014 for another three-year period commencing from October 2014. In addition, in December 2013, Lianzhong was accredited by the National Development and Reform Commission, the MIIT, the Ministry of Finance, the MOFCOM, and the State Administration of Taxation as a Key Software Enterprise Within National Planning Layout for the Years 2013-2014. As a result, Lianzhong is entitled to a preferential income tax rate of 10% for the year ended 31 December 2013 retroactively and the year ending 31 December 2014. We plan to apply for renewal of this qualification in 2015, which, if successful, would entitle Lianzhong to the 10% preferential tax rate for the years ending 31 December 2015 and 2016.

If Lianzhong fails to renew its qualification as a Key Software Enterprise Within National Planning Layout, its applicable enterprise income tax rate would increase to 15%. If Lianzhong also fails to renew its qualification as a High and New Technology Enterprise, its applicable enterprise income tax rate would increase to 25%. We cannot assure you that we will be able to maintain our current effective tax rate in the future, which may have a material adverse effect on our financial condition and results of operations.

We have limited business insurance coverage in China.

The insurance industry in China is still at an early stage of development. Insurance companies in China offer limited business insurance products. As a result, we do not have any business liability, loss of data or disruption insurance coverage for our operations in China. Any business disruption, litigation or natural disaster might result in our incurring substantial costs and the diversion of our resources.

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RISKS RELATING TO OUR CORPORATE STRUCTURE

If the PRC government finds that the agreements that establish the structure for operating our business in China do not comply with applicable PRC laws and regulations, or if these laws and regulations or their interpretations change in the future, we could be subject to severe penalties and our business may be materially and adversely affected.

We are a Cayman Islands company and, as such, are classified as a foreign enterprise under Chinese laws, and our wholly-owned PRC subsidiary, the WFOE, is a foreign-invested enterprise. Various regulations in China currently restrict or prevent foreign-invested entities from holding certain licenses required to operate online games, including internet content provision, internet culture operation and internet publishing licenses. In light of these restrictions, we rely on Lianzhong to hold and maintain the licenses necessary to operate our online games in China. Although we do not have any equity interest in Lianzhong, we are able to exercise effective control over Lianzhong and its subsidiaries and receive substantially all of the economic benefits of its operations through the Contractual Arrangements with Lianzhong and its shareholders. For a description of the Contractual Arrangements, see the section headed “Contractual Arrangements”.

The Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》), issued by the MIIT in July 2006, reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain a VATS License to conduct value-added telecommunications business. Under this circular, a domestic company that holds a VATS License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local VATS License holder. The circular further requires each VATS License holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. Due to a lack of interpretative materials from the regulator, it is unclear what impact this circular will have on us or the other Chinese internet companies that have adopted the same or similar corporate and contractual structures as ours.

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) issued by the State Council on 11 December 2001 and amended on 10 September 2008, foreign investors’ ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and experience in providing value-added telecommunications services overseas (the “**Qualification Requirement**”). To date, no applicable PRC laws, regulations or rules have provided clear guidance on the interpretation of the Qualification Requirement. We have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests of Lianzhong when the PRC Laws allow foreign investors to invest in value-added telecommunications enterprises in China. For details of such steps taken and to be taken, please refer to the section headed “Contractual Arrangements — Background” in this prospectus. However, we cannot assure you that the steps we have taken or plan to take will ultimately be sufficient to satisfy the Qualification Requirement. If the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted, we may be required to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirement.

The GAPP Online Game Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such

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businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. As no detailed interpretation of the GAPP Online Game Notice has been issued to date, it is not clear how the GAPP Online Game Notice will be implemented. Furthermore, as some other primary government regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Online Game Notice, the scope of the implementation and enforcement of the GAPP Online Game Notice remains uncertain.

In the opinion of PRC Legal Advisor, (i) our ownership structure is in compliance with all existing PRC laws and regulations, and (ii) except for certain terms of the agreements underlying the Contractual Arrangements providing that the arbitral body may award injunctive relief over the shares or land assets of Lianzhong and award winding up orders against Lianzhong and that courts in Hong Kong and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, each contract under the WFOE's contractual arrangements with Lianzhong and its shareholders is valid and binding, and will not result in any violation of PRC laws or regulations currently in effect. However, we cannot assure you that we will not be found in violation of any current or future PRC laws and regulations. There are substantial uncertainties regarding the interpretation and application of PRC laws and regulations. Accordingly, we cannot assure you that the PRC regulatory authorities will ultimately take a view that is consistent with the opinion of our PRC Legal Advisor. If we are found to be in violation of any existing or future PRC laws or regulations, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking the WFOE's business license or Lianzhong's business or operating license, requiring us to restructure the relevant ownership structure or operations, and requiring us to discontinue all or any portion of our online game operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition and results of operations. In addition, if any of these adverse consequences causes us to lose the right to direct the activities of Lianzhong or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of Lianzhong.

We rely on our Contractual Arrangements to control and obtain economic benefits from our PRC operating entity Lianzhong, which may not be as effective in providing operational control as equity ownership.

To comply with PRC regulations on online game operation, we have relied and expect to continue to rely on the Contractual Arrangements with Lianzhong to operate the majority of our online game business in China. For a description of the Contractual Arrangements, see the section headed "Contractual Arrangements". The Contractual Arrangements may not be as effective in providing us with control over Lianzhong as equity ownership. If we had equity ownership of Lianzhong, we would be able to exercise our rights as a direct or indirect shareholder to effect changes in the board of directors of Lianzhong, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management level. Under the Contractual Arrangements, we would need to rely on the WFOE's rights under the Business Cooperation Agreement, the Master Exclusive Service Agreement and the Proxy Agreement and Power of Attorney to effect such changes, or designate new shareholders for Lianzhong under the Exclusive Option Agreement. If Lianzhong or its shareholders fail to perform their respective obligations under the Contractual Arrangements, we would be unable to exercise shareholders' rights to direct corporate actions in the same manner as direct ownership would otherwise entitle us. If the parties under such Contractual Arrangements refuse to carry out our directions in relation to everyday business operations, we will be unable to maintain effective control over Lianzhong's online game operations in China. If we were to lose effective control over Lianzhong, certain negative consequences would result, including our being unable to consolidate Lianzhong's financial results with our financial results. As a result, our financial position would be materially and adversely impacted. In addition, losing effective control over Lianzhong may negatively impact our operational efficiency and brand image, and may impair our access to their cash flow from operations, which may reduce our liquidity.

If we should need to resort to a formal dispute resolution process to enforce our rights under the Contractual Arrangements, we may incur substantial costs and expend significant resources. In addition, all of the

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Contractual Arrangements are governed by PRC law and provide that any dispute arising from these arrangements will be submitted to the Beijing Arbitration Commission for arbitration, the ruling of which will be final and binding. Accordingly, these contracts would be interpreted in accordance with PRC law and any disputes would be resolved in accordance with PRC legal procedures. The legal environment in the PRC is not as developed as in certain other jurisdictions, such as Hong Kong and the United States. As a result, uncertainties in the PRC legal system could limit our ability to enforce the Contractual Arrangements. In the event that we are unable to enforce the Contractual Arrangements, or if we suffer significant time delays or other obstacles in the process of enforcing the Contractual Arrangements, our ability to conduct our business and our financial conditions and results of operations may be materially and adversely affected.

The shareholders of Lianzhong may have conflicts of interest with us, which may materially and adversely affect our business and financial condition.

We conduct substantially all of our operations, and generate substantially all of our revenue, through Lianzhong. Our control over Lianzhong is based upon the Contractual Arrangements with Lianzhong and its shareholders that allow us to control Lianzhong. The six individual shareholders of Lianzhong are also beneficial owners of our Company, but the equity interests held by each of these shareholders in our Company are less than their equity interests in Lianzhong, as there are additional investors of our Company. In addition, these shareholders' equity interests in our Company will be further diluted as a result of this offering as well as future offerings, if any, of our Company's equity securities. Therefore, the shareholders of Lianzhong may potentially have conflicts of interest with us, and they may breach their contracts with us, if they believe it would further their own interest or if they otherwise act in bad faith. We cannot assure you that when conflicts of interest arise between us and Lianzhong, the shareholders will act completely in our interests or that the conflicts of interest will be resolved in our favour.

We have some existing protections over potential conflicts of interest between these individuals and our Company. Pursuant to the Exclusive Option Agreement entered into on 28 January 2014, we have the option to purchase or to designate a third party to purchase the equity interests of the existing shareholders of Lianzhong when and to the extent permitted by law at the lowest price allowable under PRC laws and regulations. Each of Lianzhong's shareholders has entered into and executed the Proxy Agreement and Power of Attorney on the same day of the execution of the Exclusive Option Agreement to authorise the WFOE or any individual(s) appointed by the WFOE to exercise all of their rights as shareholders of Lianzhong. In addition, each of our Company's directors owes a duty of loyalty and a duty of care to our Company and shareholders as a whole under Cayman Islands law.

We cannot assure you, however, that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favour. In the event of any such conflicts of interest, these individuals may breach or cause Lianzhong to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from Lianzhong. If we cannot resolve any conflict of interest or dispute between us and such shareholders of Lianzhong should it arise, we would have to rely on legal proceedings, which could result in disruption to our business and subject us to substantial uncertainty as to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with Lianzhong and its shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the Beijing Arbitration Commission in the PRC. The Contractual Arrangements contain

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provisions to the effect that the arbitral body may award injunctive relief and/or remedies over the shares or land assets of Lianzhong and award winding up orders against Lianzhong. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

However, we have been advised by our PRC Legal Advisor that the abovementioned provisions contained in the Contractual Arrangements may not be enforceable. Under PRC laws, an arbitral body does not have the power to grant any injunctive relief to preserve the assets of or any equity interest in Lianzhong or award a final winding up order against Lianzhong in case of disputes. Therefore, such remedies may not be available to us, notwithstanding the relevant contractual provisions contained in the Contractual Arrangements. PRC laws allow an arbitral body to award the transfer of assets of or an equity interest in Lianzhong in favour of an aggrieved party. In the event of non-compliance with such award, enforcement measures may be sought from the court. However, the court may or may not support the award of an arbitral body when deciding whether to take enforcement measures. Our PRC Legal Advisor is also of the view that, even though the Contractual Arrangements provide that courts in Hong Kong and the Cayman Islands may grant and/or enforce interim remedies or in support of arbitration, such interim remedies (even if so granted by courts in Hong Kong or the Cayman Islands in favour of an aggrieved party) may not be recognised or enforced by PRC courts. As a result, in the event that Lianzhong or any of its shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Lianzhong and conduct our business could be materially and adversely affected.

We may lose the ability to use and enjoy assets held by Lianzhong that are important to the operation of our business if Lianzhong declares bankruptcy or becomes subject to a dissolution or liquidation proceeding.

Lianzhong holds certain assets that are important to our business operations. Our Contractual Arrangements with Lianzhong and its shareholders contain terms that specifically obligate its shareholders to ensure the valid existence of Lianzhong. However, in the event the shareholders breach this obligation and voluntarily liquidate Lianzhong, or Lianzhong declares bankruptcy or is otherwise dissolved, we may be unable to continue some or all of our business operations, which could materially and adversely affect our business, financial condition and results of operations. Furthermore, if Lianzhong undergoes a voluntary or involuntary liquidation proceeding, its shareholders or unrelated third-party creditors may claim rights to some or all of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

The Contractual Arrangements between the WFOE and Lianzhong may subject our Group to increased income tax due to the different income tax rates applicable to the WFOE and Lianzhong, which may adversely affect our results of operations.

Under the Contractual Arrangements, Lianzhong is required to pay to the WFOE service fees that are equal to 100% of the consolidated net profits of Lianzhong, and the WFOE has the right to adjust the service fees based on content, complexity, labour cost and commercial value of the services and with reference to the working capital requirements of Lianzhong. Such service fee payments to the WFOE reduce Lianzhong's taxable income and correspondingly increase the taxable income of the WFOE, which, due to the different income tax rates applicable to Lianzhong and the WFOE, have affected and may continue to affect our results of operations, particularly, our income tax expenses and net profit on a consolidated basis.

As a "High and New Technology Enterprise", Lianzhong was subject to a preferential income tax rate of 15% for the years ended 31 December 2011 and 2012. In December 2013, Lianzhong was accredited by the National Development and Reform Commission, MIIT, the Ministry of Finance, the Ministry of Commerce, and the State Administration of Taxation as a Key Software Enterprise Within National Planning Layout for the Years 2013-2014. As a result, Lianzhong is entitled to a preferential income tax rate of 10% for the years ended 31 December

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2013, retroactively, and 2014. The WFOE has been subject to a 25% income tax rate since its establishment in January 2014. In the future, the WFOE may become a candidate for, and be granted the status of, a “High and New Technology Enterprise”. If so, it will be subject to a 15% income tax rate after obtaining approval from competent tax authority. However, if the WFOE fails to obtain this qualification, its income tax rate will remain at 25%.

As a result of the higher income tax rate applicable to the WFOE than Lianzhong, Lianzhong’s transfer of a substantial portion of its before-tax profits to the WFOE may result in increased income tax expenses for the Group on a consolidated basis as compared to the Track Record Period, which may materially and adversely affect our results of operations, particularly, our net profit and net profit margin.

Our exercise of the option to acquire equity interests of Lianzhong may be subject to certain limitations and the ownership transfer may subject us to substantial costs.

Pursuant to the Contractual Arrangements, the WFOE has the exclusive right to require the respective shareholders of Lianzhong to transfer any and all the equity interests of Lianzhong they hold to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at the lowest price allowable under PRC laws and administrative regulations at the time of transfer, but only where the WFOE and/or its designee can legally own all or part of the equity interests of Lianzhong under PRC laws and administrative regulations. If the WFOE and/or its designee cannot legally own all or part of the shares of Lianzhong due to any reason, such as their failure to meet the Qualification Requirement, we may not be able to exercise the option to acquire the equity interests of Lianzhong through the WFOE and/or its designee. Furthermore, pursuant to the Contractual Arrangements, after the WFOE has exercised its exclusive option described above, the shareholders of Lianzhong shall transfer the purchase price for the acquired shares of Lianzhong to the WFOE at nil consideration. If such a transfer takes place, the competent tax authority may require the WFOE to pay enterprise income tax for ownership transfer income with reference to the market value, in which case the amount of tax could be substantial, and our results of operation and liquidity may be adversely affected.

The Contractual Arrangements between the WFOE and Lianzhong may be subject to scrutiny by the PRC tax authorities and any finding that we or Lianzhong owe additional taxes could substantially reduce our consolidated net income and the value of your investment.

Under PRC laws and regulations, arrangements and transactions among related parties may be subject to audit or challenge by the PRC tax authorities. We could face material and adverse tax consequences if the PRC tax authorities determine that the Master Exclusive Service Agreement and the Business Cooperation Agreement between the WFOE and Lianzhong do not represent arm’s-length transactions and adjust any of those entities’ income in the form of a transfer pricing adjustment. A transfer pricing adjustment could increase our tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on us for under-paid taxes. Thus additional taxes or penalties can materially and adversely affect our results of operations.

RISKS RELATING TO CONDUCTING BUSINESS IN THE PRC

Adverse changes in the economic and political policies of the PRC government could have a material adverse effect on the overall economic growth of China, which could adversely affect our business.

Substantially all of our business operations are conducted in China. Accordingly, our results of operations, financial condition and prospects are subject to a significant degree to economic, political and legal developments in China. China’s economy differs from the economies of most developed countries in many respects, including with regard to the amount of government involvement, level of development, growth rate, control of foreign exchange and allocation of resources. Although the Chinese government has implemented measures since the late 1970s emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets, and the establishment of improved corporate governance in business

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enterprises, a substantial portion of productive assets in China is still owned by the Chinese government. In addition, the Chinese government continues to play a significant role in regulating industry development by imposing industrial policies. The Chinese government also exercises significant control over China's economic growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy, and providing preferential treatment to particular industries or companies.

While the Chinese economy has experienced significant growth in the past 30 years, growth has been uneven geographically among various sectors of the economy and during different periods. We cannot assure you that the Chinese economy will continue to grow or that, if there is growth, such growth will be steady and uniform. If there is any slowdown in the overall economic growth in China, expenditures for online games may decrease, and as a result our business and results of operation may be materially and adversely affected.

Our business may suffer if there are natural disasters or occurrence of epidemics in China.

Substantially all of our business operations are located in China, and we have derived the vast majority of our revenues from players in China. Natural disasters, epidemics and other acts of God occurring in China may adversely affect the economy, infrastructure and livelihood of the people in China. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our online game business, which in turn may adversely affect our financial condition and results of operations.

Fluctuations in exchange rates may result in foreign currency exchange losses and may have a material adverse effect on your investment.

The change in the value of Renminbi against the Hong Kong dollar and other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. For instance, in the PRC from 1995 until July 2005, the conversion of the Renminbi into foreign currencies, including the Hong Kong dollar and US dollar, has been based on fixed rates set by the People's Bank of China ("PBOC"). The PRC government, however, has, with effect from 21 July 2005, reformed the exchange rate regime by moving into a managed floating exchange regime based on market supply and demand with reference to a basket of currencies. On 21 July 2005, this revaluation resulted in the Renminbi appreciating against the US dollar and the Hong Kong dollar by approximately 2% on that date. On 23 September 2005, the PRC government widened the daily trading band for the Renminbi against non-US dollar currencies from 1.5% to 3.0% to improve the flexibility of the new foreign exchange system. As a consequence, Renminbi has fluctuated sharply since July 2008 against other freely traded currencies, in tandem with the U.S. dollar. On 20 June 2010, the PBOC announced that it intends to further reform the Renminbi exchange rate regime by enhancing the flexibility of the Renminbi exchange rate. On 14 March 2014, the PBOC enlarged the previous floating band of the trading prices of the Renminbi against the US dollar in the inter-bank spot foreign exchange market from 1% to 2% in order to further improve the managed floating Renminbi exchange rate regime based on market supply and demand with reference to a basket of currencies. However, it remains unclear how this flexibility might be implemented. Further, there remains significant international pressure on the PRC government to adopt a substantial liberalisation of its currency policy, which could result in a further and more significant appreciation in the value of Renminbi against the Hong Kong dollar.

In the Track Record Period, substantially all of our revenues and expenditures were denominated in Renminbi, and a significant portion of our financial assets are also denominated in Renminbi. We rely entirely on dividends and other fees paid to us by our PRC subsidiaries and consolidated affiliated entities. Any significant change in the exchange rates of the Hong Kong dollar against Renminbi may materially and adversely affect our cash flows, earnings and financial position, and the value of, and any dividends payable on, our Shares in Hong Kong dollars. For example, a further appreciation of Renminbi against the Hong Kong dollar would make any new

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Renminbi-denominated investments or expenditures more costly to us, to the extent that we need to convert Hong Kong dollars into Renminbi for such purposes. An appreciation of Renminbi against the Hong Kong dollar would also result in foreign currency translation losses for financial reporting purposes when we translate our Hong Kong dollar denominated financial assets into Renminbi, including proceeds from the Global Offering, as Renminbi is the functional currency of our subsidiaries and consolidated affiliated entities inside China. Conversely, if we decide to convert our Renminbi into Hong Kong dollars for the purpose of making payments for dividends on our Shares or for other business purposes, appreciation of the Hong Kong dollar against Renminbi would have a negative effect on the Hong Kong dollar amount available to us.

Restrictions on currency exchange under PRC laws may limit our ability to convert cash derived from our operating activities into foreign currencies and may materially and adversely affect the value of your investment.

The PRC government imposes controls on the convertibility of Renminbi into foreign currencies and, in certain cases, the remittance of currency out of China. We receive substantially all of our revenues in Renminbi. Under our current corporate structure, our income is primarily derived from dividend payments from the WFOE, our PRC subsidiary. Shortages in the availability of foreign currency may restrict the ability of our PRC subsidiaries and our affiliated entities to remit sufficient foreign currency to pay dividends or other payments to us, or otherwise satisfy their foreign currency denominated obligations, if any. Under existing PRC foreign exchange regulations, conversion of Renminbi is permitted, without prior approval from the SAFE, for current account transactions, including profit distributions, interest payments and expenditures from trade-related transactions, as long as certain procedural requirements are complied with. However, there is no assurance that these foreign exchange policies will continue in the future. Furthermore, approval from and registration with the SAFE and other PRC regulatory authorities are required where Renminbi is to be converted into foreign currency and remitted out of China for capital account transactions, which includes foreign direct investment and repayment of loans denominated in foreign currencies. The PRC government may also, at its discretion, restrict access in the future to foreign currencies for current account transactions. Any existing and future restrictions on currency exchange in China may limit our ability to convert cash derived from our operating activities into foreign currencies to fund expenditures denominated in foreign currencies. If the foreign exchange restrictions in China prevent us from obtaining Hong Kong dollars or other foreign currencies as required, we may not be able to pay dividends in Hong Kong dollars or other foreign currencies to our Shareholders. Furthermore, foreign exchange control in respect of the capital account transactions could affect our PRC subsidiaries' ability to obtain foreign exchange or conversion into Renminbi through debt or equity financing, including by means of loans or capital contributions from us.

PRC regulation of loans and direct investment by offshore holding companies to PRC entities may delay or prevent us from using the proceeds of this offering to make loans or additional capital contributions to our PRC subsidiaries or consolidated affiliated entities, which could materially and adversely affect our liquidity and our ability to fund and expand our business.

In utilising the proceeds of this offering in the manner described in the section headed "Future Plans and Use of Proceeds", as an offshore holding company, we may extend loans to our PRC subsidiaries and our consolidated affiliated entities, establish new subsidiaries, make additional capital contributions to our PRC subsidiaries or acquire, in offshore transactions, offshore entities with business operations inside China. Any loans to our PRC subsidiaries or our consolidated affiliated entities are subject to PRC regulations and approvals. For example, loans we extended to the WFOE, our wholly-owned subsidiary, to finance its activities cannot exceed statutory limits and must be registered with the SAFE or its local counterpart; and loans we extended to our consolidated affiliated entities must be approved by the relevant government authorities and must also be registered with the SAFE or its local counterpart.

In addition, on 29 August 2008, the SAFE promulgated Circular 142, which requires that any Renminbi obtained from the settlement of the capital of a foreign-invested enterprise shall be used for purposes within the business

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scope approved by the applicable government authority. Without a special governmental approval pursuant to Circular 142, we may not utilise the WFOE to apply the settlement of capital for domestic equity investments. We may, however, use proceeds from this offering for equity investments through acquisitions of offshore entities with business operations in China or establish new subsidiaries with an appropriate business scope to engage in equity investment activities in China.

Furthermore, the SAFE strengthened its oversight of the flow and use of Renminbi funds converted from the foreign currency-denominated capital of foreign-invested enterprises. The use of such Renminbi may not be changed without approval from the SAFE, and may not be used to repay Renminbi loans if the proceeds of such loans have not yet been used for purposes within the foreign-invested enterprise's approved business scope. Furthermore, on 9 November 2010, the SAFE promulgated Circular 59, which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or repay loans between non-financial enterprises.

Finally, any capital contributions to the WFOE or to any new subsidiaries that we may establish in the future must be approved by the MOFCOM or its local counterpart. Any medium or long term loan to be provided by us to our consolidated affiliated entity must be approved by the NDRC and the SAFE or its local branches. We cannot assure you that we will be able to obtain these government registrations or approvals on a timely basis, if at all. If we fail to receive such registrations or approvals, our ability to use the proceeds of this offering and to capitalise our PRC operations may be negatively affected, which could adversely and materially affect our liquidity and our ability to fund and expand our business.

A failure by the beneficial owners of our shares who are PRC residents to comply with certain PRC foreign exchange regulations could restrict our ability to distribute profits, restrict our overseas and cross-border investment activities and subject us to liability under PRC laws.

The SAFE has promulgated several regulations requiring PRC residents to register with PRC government authorities before engaging in direct or indirect offshore investment activities, including Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Corporate Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (“**Circular 75**”), effective in November 2005, Circular on Promulgation of Administrative Measures on Foreign Exchange of Direct Investment by Foreign Investors and Ancillary Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) issued on 11 May 2013, and Notice on Further Improving and Adjusting Foreign Administration Policies in Respect of Foreign Direct Investment (《關於進一步改進和調整直接投資外匯管理政策的通知》), issued on 19 November 2012 and effective on 17 December 2012. In the event that a PRC shareholder with a direct or indirect stake in an offshore parent company fails to make the required SAFE registration, the PRC subsidiaries of that offshore parent company may be prohibited from making distributions of profit to the offshore parent and from paying to the offshore parent proceeds from any reduction in capital, share transfer or liquidation of the PRC subsidiaries. Furthermore, failure to comply with these SAFE registration requirements could result in liability under PRC law for foreign exchange evasion.

We are committed to complying with and to ensuring that our Shareholders who are subject to the regulations will comply with the relevant rules. However, we may not always be able to compel them to comply with Circular 75 or other related regulations. As a result, we cannot assure you that all of our Shareholders or beneficial owners who are PRC residents will at all times comply with, or in the future make or obtain any applicable registrations or approvals required by, Circular 75 or other related regulations. Failure by any such Shareholders or beneficial owners to comply with Circular 75 or other related regulations could subject us to fines or legal sanctions, restrict our overseas or cross-border investment activities, limit our subsidiaries' ability

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to make distributions, pay dividends or other payments to us or affect our ownership structure, which could adversely affect our business and prospects.

Failure to comply with PRC regulations regarding the registration requirements for employee stock incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

In February 2012, the SAFE promulgated the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly Listed Company (《國家外匯管理局關於境內個人參與境外上市公司股權激勵計畫外匯管理有關問題的通知》) (the “**Stock Option Rules**”), which replaced the earlier rules promulgated by the SAFE in March 2007. Under the Stock Option Rules, PRC residents who participate in stock incentive plans in an overseas publicly listed company are required, through a PRC agent or PRC subsidiary of such overseas publicly listed company, to register with the SAFE and complete certain other procedures. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, the purchase and sale of corresponding stocks or interests and fund transfers. In addition, the PRC agent is required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agent or the overseas entrusted institution or other material changes.

We and our PRC resident employees who have been granted stock options will be subject to the Stock Option Rules upon completion of this offering. Failure of the PRC resident holders of our share options to complete their SAFE registrations may subject these PRC residents to fines and legal sanctions and may also limit our ability to contribute additional capital into our PRC subsidiaries, limited our PRC subsidiaries’ ability to distribute dividends to us, or otherwise materially adversely affect our business.

Uncertainties with respect to the PRC legal system could adversely affect us.

We conduct our business primarily through our subsidiaries and affiliated entities in China. Our operations in China are governed by PRC laws and regulations. Our PRC subsidiaries are generally subject to laws and regulations applicable to foreign investments in China and, in particular, laws applicable to wholly foreign-owned enterprises. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value.

Since 1979, PRC legislation and regulations have significantly enhanced the protections afforded to various forms of foreign investments in China. However, China has not developed a fully integrated legal system and recently enacted laws and regulations may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their nonbinding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based in part on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. For example, in December 2009, the State Administration of Taxation issued a circular, commonly referred to as Circular 698, to strengthen the PRC tax authorities’ scrutiny over any indirect transfer of equity interests in a PRC tax resident enterprise by a non PRC-resident enterprise, which became effective retroactively on 1 January 2008. Circular 698 specifies that, by adopting the “substance over form” principle, the State Administration of Taxation is entitled to redefine the nature of an indirect equity transfer, disregard the existence of an offshore intermediary holding company if it lacks business objectives and was established for the purpose of avoiding tax, and impose PRC withholding tax at the rate of up to 10% to gains derived from such indirect transfer. Although several issues related to Circular 698 were clarified through a Public Notice dated 28 March 2011 issued by the State Administration of Taxation, there is little guidance and practical experience regarding the application of this tax circular. In recent cases, some intermediary holding companies were actually looked through by the PRC tax authorities and, consequently, the non-PRC resident investors were deemed to have transferred the PRC subsidiaries and assessed PRC corporate taxes. In view of the above, if we or our non-PRC resident investors

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plan to transfer the equity interests of our PRC resident subsidiaries indirectly via disposing of the equity interests of an offshore intermediary holding company, it is possible that we or our non-PRC resident investors may become at risk of being taxed under Circular 698 and may be required to expend valuable resources — for example, to file detailed materials to the relevant tax bureau — to comply with Circular 698 or to justify that we or our non-PRC resident investors should not be taxed under Circular 698. Such detailed materials we may be required to file may include the relevant equity transfer agreements, the explanation of the relationship between the non-PRC resident investors and the offshore intermediary holding company and the relationship between the offshore intermediary holding company and PRC resident subsidiaries in terms of capital, operation and sales and purchases and others, and the details of our business and operation. We may not become aware of our violation of such governmental policies and rules with retroactive application until some time after the potential violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management attention.

PRC laws and regulations establish more complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

A number of PRC laws and regulations, including the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) adopted by six PRC regulatory agencies in 2006 (the “**M&A Rules**”), the Antimonopoly Law (《反壟斷法》), and the Rules of Ministry of Commerce on Implementation of Security Review System of Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度的規定》) promulgated by the MOFCOM in August 2011 (the “**Security Review Rules**”), have established procedures and requirements that are expected to make merger and acquisition activities in China by foreign investors more time consuming and complex. These include requirements in some instances that the MOFCOM be notified in advance of any change of control transaction in which a foreign investor takes control of a PRC domestic enterprise, or that the approval from the MOFCOM be obtained in circumstances where overseas companies established or controlled by PRC enterprises or residents acquire affiliated domestic companies. PRC laws and regulations also require certain merger and acquisition transactions to be subject to merger control review or security review.

The Security Review Rules were formulated to implement the Notice of the General Office of the State Council on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《國務院辦公廳關於建立外國投資者併購境內企業安全審查制度的通知》), also known as Circular 6, which was promulgated in 2011. Under these rules, a security review is required for mergers and acquisitions by foreign investors having “national defence and security” concerns and mergers and acquisitions by which foreign investors may acquire the “de facto control” of domestic enterprises have “national security” concerns. In addition, when deciding whether a specific merger or acquisition of a domestic enterprise by foreign investors is subject to the security review, the MOFCOM will look into the substance and actual impact of the transaction. The Security Review Rules further prohibits foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions.

It is unclear whether our business would be deemed to be in an industry that raises “national defence and security” or “national security” concerns. However, as these rules are relatively new and there is a lack of clear statutory interpretation on the implementation of the same, there is no assurance that the MOFCOM will not apply these national security review-related rules to the acquisition of equity interest in our PRC subsidiaries. If we are found to be in violation of the Security Review Rules and other PRC laws and regulations with respect to the merger and acquisition activities in China, or fail to obtain any of the required approvals, the relevant regulatory authorities would have broad discretion in dealing with such violation, including levying fines, confiscating our income, revoking our PRC subsidiary’s business or operating licenses, requiring us to restructure or unwind the relevant ownership structure or operations. Any of these actions could cause significant disruption to our business operations and may materially and adversely affect our business, financial condition

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and results of operations. Further, if the business of any target company that we plan to acquire falls into the ambit of security review, we may not be able to successfully acquire such company either by equity or asset acquisition, capital contribution or through any contractual arrangement. We may grow our business in part by acquiring other companies operating in our industry. Complying with the requirements of the relevant regulations to complete such transactions could be time consuming, and any required approval processes, including approval from the MOFCOM, may delay or inhibit our ability to complete such transactions, which could affect our ability to expand our business or maintain our market share.

If we are classified as a PRC “resident enterprise”, we may be subject to PRC taxation on our worldwide income, and holders of our Shares may be subject to a PRC withholding tax upon the dividends payable by us and upon gain from the sale of our Shares.

Under the EIT Law and its implementing regulations, an enterprise established outside China with its “de facto management body” within China is considered a “resident enterprise” in China and will be subject to the PRC EIT at the rate of 25% on its worldwide income. The tax authority will normally review factors such as the routine operation of the organisational body that effectively manages the enterprise’s production and business operations, locations of personnel holding decision-making power, location of finance and accounting functions and properties of the enterprise. The EIT implementation regulations define the term “de facto management bodies” as “establishments that carry out substantial and overall management and control over the manufacturing and business operations, personnel, accounting, properties, etc. of an enterprise”. The State Administration of Taxation issued the Notice Regarding the Determination of Chinese-Controlled Overseas Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《國家稅務總局關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or SAT Circular 82, on 22 April 2009, as amended in January 2014. SAT Circular 82 provides certain specific criteria for determining whether the “de facto management body” of a Chinese-controlled offshore incorporated enterprise is located inside China, stating that only a company meeting all the criteria would be deemed having its de facto management body inside China. One of the criteria is that a company’s major assets, accounting books and minutes and files of its board and shareholders’ meetings are located or kept in the PRC. In addition, the SAT issued a bulletin on 3 August 2011, effective 1 September 2011, providing more guidance on the implementation of SAT Circular 82. This bulletin clarifies matters including residence status determination, post-determination administration and competent tax authorities. Although both SAT Circular 82 and the bulletin only apply to offshore enterprises controlled by PRC enterprises and there are currently no further detailed rules or precedents applicable to us governing the procedures and specific criteria for determining “de facto management body” for companies like ours, the determination criteria set forth in SAT Circular 82 and the bulletin may reflect the SAT’s general position on how the “de facto management body” test should be applied in determining the tax residency status of offshore enterprises and how the administration measures should be implemented with respect to such enterprises, regardless of whether they are controlled by PRC enterprises or PRC individuals.

As substantially all of our management members are based in China, it remains unclear how the tax residency rule will apply to our company. We do not believe that our company should be qualified as a “resident enterprise” because we are incorporated outside the PRC and we are not an offshore enterprise controlled by PRC individuals or domestic enterprises. As a holding company, our corporate documents, minutes and files of the board and shareholders’ meetings are located and kept outside of the PRC. However, as the tax resident status of an enterprise is subject to determination by the PRC tax authorities, there are uncertainties and risks associated with this issue.

Under the PRC EIT Law, PRC income tax at the rate of 10% is applicable to dividends payable by a PRC “resident enterprise” to investors that are “non-resident enterprises” to the extent such dividends have their source within the PRC. Similarly, any gain realised on the transfer of shares by such enterprises is also subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC. If the dividends we pay to our shareholders are regarded as income derived from sources within the PRC, we may be required to

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withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC shareholders may be subject to PRC tax on gains realised on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

You may experience difficulties in effecting service of legal process, enforcing foreign judgments or bringing original actions in China against us or our management named in the prospectus based on Hong Kong or other foreign laws.

We are a company incorporated under the laws of the Cayman Islands, but we conduct substantially all of our operations in China and substantially all of our assets are located in China. In addition, all of our senior executive officers reside within China for a significant portion of the time and many are PRC nationals. As a result, it may not be possible to effect service of process outside China upon our senior executive officers. PRC does not have treaties with the Cayman Islands, the United States and many other countries providing for the reciprocal recognition and enforcement of judgment of courts.

On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協定管轄的民商事案件判決的安排》) (the “**Arrangement**”), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a choice of court agreement in writing may apply for recognition and enforcement of the judgment in Hong Kong. A choice of court agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute have not agreed to enter into a choice of court agreement in writing. Although the Arrangement became effective on 1 August 2008, the outcome and effectiveness of any action brought under the Arrangement may still be uncertain.

RISKS RELATING TO THE GLOBAL OFFERING

There has been no prior public market for our Shares and there can be no assurance that an active market will develop.

Prior to the Global Offering, there has been no public market for our Shares. An active public market may not develop or be sustained after the Global Offering. The initial Offer Price range for our Shares was the result of negotiations between us and the Joint Bookrunners, and the Offer Price may differ significantly from the market price for the Shares following the Global Offering. We have applied for the listing of, and permission to deal in, the Shares on the Stock Exchange. However, a listing on the Stock Exchange does not guarantee that an active trading market for the Shares will develop. If an active market for the Shares does not develop after the Global Offering, the market price and liquidity of the Shares may be adversely affected. There can be no assurance as to the ability of Shareholders to sell their Shares or the prices at which Shareholders would be able to sell their Shares. Consequently, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares in the Global Offering.

The liquidity and market price of our Shares following the Global Offering may be volatile.

The market price and trading volume for our Shares may be volatile and subject to wide fluctuations in response to factors such as actual or anticipated fluctuations in our quarterly operating results, changes in financial

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estimates by securities research analysts, changes in the economic performance or market valuations of other education companies, announcements by us or our competitors of material acquisitions, strategic partnerships, joint ventures or capital commitments, addition or departure of our executive officers and key personnel, fluctuations of exchange rates between Renminbi and the Hong Kong dollar, intellectual property litigation, release of lock-up or other transfer restrictions on our Shares, and economic or political conditions in China. In addition, the performance, and fluctuation in market prices, of other companies with business operations located mainly in China that have listed their securities in Hong Kong may affect the volatility in the price of and trading volumes of our Shares. Furthermore, the securities market has from time to time experienced significant price and volume fluctuations that are not related to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of our Shares.

Because the Offer Price is higher than our net tangible book value per Share, you will incur immediate dilution.

The Offer Price of the Shares is higher than the net tangible book value per Share issued to existing holders of our Shares. Therefore, you and other purchasers of the Shares in the Global Offering will experience an immediate dilution in pro forma net tangible book value and existing holders of our Shares will receive an increase in net tangible book value per share of their Shares. In addition, if we issue additional Shares or equity-linked securities in the future, you and other purchasers of our Shares may experience further dilution in the net tangible assets book value per Share if we issue additional Shares at a price lower than the net tangible assets book value per Share at the time of their issuance.

Future sales of our Shares by any of our Controlling Shareholders and Pre-IPO Investors in the public market could cause the price of our Shares to decline.

Future sales of a significant number of our Shares by our Controlling Shareholders or Pre-IPO Investors in the public market after the Global Offering, or the perception that these sales could occur, could cause the market price of our Shares to decline and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders and Pre-IPO Investors have agreed to a lock-up of their Shares, any major disposal of our Shares by any of our Controlling Shareholders and Pre-IPO Investors upon expiration of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

We cannot guarantee the accuracy of certain statistics obtained from government and other independent sources, including the industry report contained in this prospectus.

Certain statistics in this prospectus relating to China, the Chinese economy and the online game industry in China are derived from government or other industry sources, including a third-party report commissioned by us. We believe that the sources of such information and statistics are appropriate sources for such information and statistics and have taken reasonable care in the extraction and reproduction of such information and statistics. We have no reason to believe that such information or statistics are false or misleading in any material respect or that any fact has been omitted that would render such information or statistics false or misleading in any material respect. However, none of us, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor, the Underwriters, any of our or their respective directors, officers or representatives or any other person involved in the Global Offering has independently verified such information and statistics and no representation is given as to their correctness or accuracy. Due to possibly flawed or ineffective data collection methods or discrepancies between published information and market practice and other problems, the information and statistics in this prospectus relating to the online game and board game market in China may be inaccurate. Furthermore, we cannot assure you that they are stated or compiled on the same basis or with the same degree of accuracy as may be the case elsewhere. Therefore, you should not unduly rely upon the facts, forecasts and statistics contained in this prospectus.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

In preparation for the Listing, we have sought the following waivers from strict compliance with the relevant provisions of the Listing Rules:

CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, the Contractual Arrangements which will constitute non-exempt continuing connected transactions of our Company under the Listing Rules upon the Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 14A of the Listing Rules. For further details in this respect, see the sections headed “Connected Transactions” and “Contractual Arrangements” in this prospectus.

MANAGEMENT PRESENCE IN HONG KONG

According to Rule 8.12 of the Listing Rules, an issuer must have a sufficient management presence in Hong Kong and in normal circumstances, at least two of the issuer’s executive directors must be ordinarily resident in Hong Kong.

Our business and operations are primarily based in the PRC. It would be practically difficult and commercially unnecessary for us to relocate our executive Directors to Hong Kong. Therefore, we have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from compliance with Rule 8.12 of the Listing Rules on the following conditions:

(i) We have appointed and will continue to maintain two authorised representatives, namely Mr Ng Kwok Leung Frank and Ms Ng Sau Mei from KCS Hong Kong Limited, to be the principal communication channel at all times between the Stock Exchange and the Company pursuant to Rule 3.05 of the Listing Rules. Each of our authorised representatives will be readily contactable by the Stock Exchange by telephone, facsimile and/or e-mail to deal promptly with enquiries from the Stock Exchange. Both of our authorised representatives are authorised to communicate on our behalf with the Stock Exchange. We have been registered as a non-Hong Kong company under Part 16 of the Companies Ordinance and KCS Hong Kong Limited has been authorised to accept service of legal process and notices in Hong Kong on our behalf at its business address at 8th Floor, Gloucester Tower, The Landmark, 15 Queen’s Road Central, Hong Kong.

(ii) Both of our authorised representatives have means to contact all of our directors (including our independent non-executive Directors) and the senior management team promptly at all times as and when the Stock Exchange wishes to contact any of the Directors for any matters. We will implement a policy whereby the Directors will provide to the authorised representatives (a) their respective mobile phone numbers, residential phone numbers, fax numbers and e-mail addresses; and (b) valid phone numbers or other means of communication when they are travelling. In addition, each Director will provide their respective mobile phone numbers, office phone numbers, email addresses and fax numbers to the Stock Exchange.

(iii) All Directors who are not ordinarily resident in Hong Kong have confirmed that they possess or can apply for valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange within a reasonable period of time, when required.

(iv) We will, in accordance with the requirements of Rule 3A.19 of the Listing Rules, appoint and retain TC Capital Asia Limited as our compliance advisor (the “**Compliance Advisor**”) for a period commencing on the date of Listing and ending on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year after Listing. The Compliance Advisor will provide us with professional advice on continuous compliance with the Listing Rules, and act at all times, in addition to our two authorised representatives, as an additional channel of communication with the Stock Exchange. We will ensure that the Compliance Advisor has prompt access to our authorised representatives and Directors who will provide to the Compliance Advisor such information and assistance as the Compliance Advisor may need or may reasonably request in connection with the performance of the Compliance Advisor’s duties.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

(v) Meetings between the Stock Exchange and the Directors could be arranged through the authorised representatives or the Compliance Advisor, or directly with the Directors within a reasonable time frame. We will inform the Stock Exchange as soon as practicable in respect of any change in the authorised representatives and/or the Compliance Advisor in accordance with the Listing Rules.

JOINT COMPANY SECRETARIES

Pursuant to Rule 3.28 of the Listing Rules, a new applicant for primary listing on the Stock Exchange must have a company secretary who is an individual and who, by virtue of his academic or professional qualifications or relevant experience (as set out in Note 2 to Rule 3.28 of the Listing Rules), is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

The Stock Exchange considers the following academic or professional qualifications to be acceptable:

- (a) a member of The Hong Kong Institute of Chartered Secretaries;
- (b) a solicitor or barrister (as defined in the Legal Practitioners Ordinance (Chapter 159 of the Laws of Hong Kong)); and
- (c) a certified public accountant (as defined in the Professional Accountants Ordinance (Chapter 50 of the Laws of Hong Kong)).

In assessing “relevant experience”, the Stock Exchange will consider the individual’s:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Listing Rules and other relevant law and regulations including the SFO, Companies Ordinance, and the Takeovers Code;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Listing Rules; and
- (d) professional qualifications in other jurisdictions.

Under Rule 8.17 of the Listing Rules, an issuer must appoint a company secretary who satisfies Rule 3.28 of the Listing Rules.

We appointed Ms Li Jin of our Company and Ms Ng Sau Mei from KCS Hong Kong Limited as joint company secretaries on 7 March 2014 to jointly discharge the duties and responsibilities as company secretary of our Company with reference to their past experience, qualifications and working experience. Ms Li has been the general manager of Lianzhong and a director of Shanghai Yaozhong since 8 August 2013. She served as the deputy general manager of Lianzhong from 10 April 2011 to 8 August 2012 and the general legal counsel of Lianzhong since 10 April 2011. Ms Li was an attorney at King & Wood in Beijing from July 2006 to March 2011. She received her Master’s degree in law and her Bachelor’s degree in law from University of International Business and Economics in 2006 and in 2003 respectively.

We have appointed Ms Ng as one of the joint company secretaries of the Company to assist Ms Li in discharging the duties of a company secretary of the Company. Ms Ng is qualified to act as the company secretary of our Company as required under Rule 3.28 of the Listing Rules. Ms Ng has over 13 years of experience in the company secretarial field. She has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of companies listed on the Stock Exchange. Ms Ng is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom since 2007. She obtained a Bachelor Degree in Laws from City University of Hong Kong in 2001. Please refer to the section headed “Directors and Senior Management” for further information regarding the joint company secretaries.

WAIVERS FROM STRICT COMPLIANCE WITH THE LISTING RULES

As Ms Li does not possess the formal qualifications required of a company secretary required under Rule 3.28 of the Listing Rules, we have applied to the Stock Exchange for and the Stock Exchange has granted a waiver from strict compliance with the requirements under Rules 3.28 and 8.17 such that Ms Li may be appointed as a joint company secretary.

The initial term of appointment of Ms Li and Ms Ng as our joint company secretaries is three years. The waiver was granted for a period of three years during which period Ms Ng, as a joint company secretary, will work closely with, and provide guidance and assistance (where necessary) to, Ms Li in the discharge of her duties as a joint company secretary and in gaining the relevant experience as required under Rules 3.28 and 8.17 of the Listing Rules. This waiver will be revoked immediately when Ms Ng, during the three-year period, ceases to provide assistance to Ms Li.

At the end of the three-year period, we will liaise with the Stock Exchange to enable it to assess whether Ms Li, having benefited from the guidance and assistance of Ms Ng for the preceding three years, has acquired the relevant experience and skills necessary to carry out the duties as company secretary (within the meaning of Rules 3.28 and 8.17 of the Listing Rules) so that a further waiver is not required.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Listing Rules for the purposes of giving information to the public about us. The Directors collectively and individually accept full responsibility for the accuracy and completeness of the information contained in this prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and that there are no other matters the omission of which would make any statement herein or this prospectus misleading.

GLOBAL OFFERING

This prospectus is published solely in connection with the Hong Kong Public Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering.

The Listing is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price to be determined between the Joint Bookrunners (on behalf of the Underwriters) and us on the Price Determination Date.

The Offer Price is expected to be fixed among the Joint Bookrunners (on behalf of the Underwriters) and our Company on the Price Determination Date. The Price Determination Date is expected to be on or around 24 June 2014 and, in any event, not later than 27 June 2014 (unless otherwise determined between the Joint Bookrunners (on behalf of the Underwriters) and our Company). If, for whatever reason, the Offer Price is not agreed between the Joint Bookrunners and our Company on or before 27 June 2014, the Global Offering will not become unconditional and will lapse immediately.

Further information about the Underwriters and the underwriting arrangements is set out in the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his/her acquisition of Offer Shares to, confirm that he/she is aware of the restrictions on offers for the Offer Shares described in this prospectus. No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offer and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorisation by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON THE STOCK EXCHANGE

We have applied to the listing committee of the Stock Exchange for the granting of the listing of, and permission to deal in, our Shares in issue and to be issued pursuant to the conversion of all Series A Preferred Shares to Shares, the Capitalisation Issue, the Global Offering and the exercise of any options that may be granted under our Management Pre-IPO Share Option Scheme.

No part of our Shares is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

OVER-ALLOTMENT OPTION AND STABILISATION

Details of the arrangements relating to the Over-allotment Option and Stabilisation are set out in the section headed “Structure of the Global Offering” in this prospectus.

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of the listing of, and permission to deal in, the Shares on the Stock Exchange and compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or on any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements and how such arrangements will affect their rights and interests.

SHARE REGISTER AND STAMP DUTY

Our principal register of members will be maintained in the Cayman Islands by Maple Fund Services (Cayman) Limited and our Hong Kong register will be maintained in Hong Kong by Computershare Hong Kong Investor Services Limited.

Dealings in the Shares will be subject to Hong Kong stamp duty. For further details of Hong Kong stamp duty, please seek professional tax advice. Unless otherwise determined by our Board, dividends will be paid to Shareholders whose names are listed on our register of members in Hong Kong, by ordinary post, at the Shareholders’ risk in Hong Kong dollars.

PROFESSIONAL TAX ADVICE RECOMMENDED

Applicants for the Offer Shares are recommended to consult their professional advisers if they are in any doubt as to the taxation implications of holding and dealing in the Shares. It is emphasised that none of us, the Joint Global Coordinators, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our/their respective affiliates, directors, supervisors, employees, agents or advisers or any other party involved in the Global Offering accepts responsibility for any tax effects or liabilities of holders of the Shares resulting from the subscription, purchase, holding or disposal of the Shares.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail unless otherwise stated.

EXCHANGE RATE

Solely for convenience purposes, this prospectus includes translations of certain Renminbi amounts into Hong Kong dollars. No representation is made that the Renminbi amounts could actually be converted into such foreign exchange at the rate indicated, or at all. Unless otherwise indicated, the translation of Renminbi into Hong Kong dollars was made at the rate of RMB0.79486 to HK\$1.00, the exchange rate prevailing on 6 June 2014 published by the PBOC for foreign exchange transactions.

ROUNDING

Any discrepancies in any table in this prospectus between total and sum of amounts listed therein are due to rounding.

CORPORATE INFORMATION AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

Name	Address	Nationality
Executive Directors		
Yang Eric Qing (楊慶)	No. 2703, Building 210 Nan Hu Xi Yuan Chaoyang District, Beijing PRC	Chinese (Hong Kong)
Ng Kwok Leung Frank (伍國樑)	7/D, Block 5 Villa Concerto, Symphony Bay Sai Kung, NT Hong Kong	Chinese (Hong Kong)
Liu Jiang (劉江)	Unit 1611, Block 2 Jiaodajia Garden 1 Jiaotongdaxue Road Haidian District, Beijing PRC	Chinese
Zhang Rongming (張榮明)	No. 2105, Building 107 District 1, Nan Hu Dong Yuan Chaoyang District, Beijing PRC	Chinese
Non-Executive Directors		
Fan Tai (樊泰)	Room 702, Block 1-9-2 Fugui Garden Donghuashi South Lane Dongcheng District, Beijing PRC	Chinese
Chen Xian (陳弦)	Unit 16H, North Lodge China World Apartments 1 Jianguomenwai Street Beijing, PRC	Chinese
Independent Non-Executive Directors		
Ge Xuan (葛旋)	Unit 603, Block 2 Nongjingan Grand View 501 Xi Kang Road, Jing An District, Shanghai PRC	Chinese
Lu Zhong (魯眾)	Unit 1207, 10 Furong Lane Haidian District Beijing PRC	Chinese
Cheung Chung Yan David (張頌仁)	Flat B, 1/F Block 6 Parkland Villas, Phase I Tuen Mun, New Territories Hong Kong	Chinese (Hong Kong)

Further information is disclosed in the section headed “Directors and Senior Management” in this prospectus.

CORPORATE INFORMATION AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED IN THE GLOBAL OFFERING

Sole Sponsor

Jefferies Hong Kong Limited
22/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

**Joint Global Coordinators, Joint Bookrunners and
Joint Lead Managers**

Jefferies Hong Kong Limited
22/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

China International Capital Corporation Hong Kong
Securities Limited
29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong law and United States law
Skadden, Arps, Slate, Meagher & Flom and Affiliates
42nd Floor, Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law
King & Wood Mallesons
20th Floor, East Tower
World Financial Center
1 Dongsanhuan Zhonglu
Chaoyang District
Beijing 100020
PRC

Legal Advisors to the Underwriters

As to Hong Kong law and United States law
Kirkland & Ellis
26th Floor, Gloucester Tower
The Landmark
15 Queen's Road Central
Hong Kong

As to PRC law
Han Kun Law Offices
Suite 906, Office Tower C1
Oriental Plaza
1 East Chang An Avenue
Beijing 100738
PRC

CORPORATE INFORMATION AND PARTIES INVOLVED IN THE GLOBAL OFFERING

Reporting Accountant and Independent Auditor	Grant Thornton Hong Kong Limited <i>Certified Public Accountants</i> Level 12, 28 Hennessy Road Wanchai Hong Kong
Receiving Banks	Wing Lung Bank Limited 45 Des Voeux Road Central Central Hong Kong
CORPORATE INFORMATION	
Headquarters	17/F, Tower B Fairmont, No. 1 Building 33# Community, Guangshun North Street Chaoyang District, Beijing, PRC
Registered Office in the Cayman Islands	PO Box 309 Ugland House Grand Cayman, KY1-1104 Cayman Islands
Place of Business in Hong Kong registered under Part 16 of the Companies Ordinance	8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Company Website	www.ourgame.com (<i>the information contained on the website does not form part of this prospectus</i>)
Joint Company Secretaries	Ms Li Jin University of Foreign Studies, No. 1 Huizhongan, Chaoyang District, Beijing, China Ms Ng Sau Mei (ACIS, ACS) 8th Floor, Gloucester Tower The Landmark 15 Queen's Road Central Hong Kong
Authorised Representatives	Mr Ng Kwok Leung Frank and Ms Ng Sau Mei
Audit Committee	Mr Cheung Chung Yan David (Chairman) Mr Fan Tai Mr Ge Xuan
Remuneration Committee	Mr Lu Zhong (Chairman) Mr Cheung Chung Yan David Mr Ge Xuan
Nomination and Corporate Governance Committee	Mr Yang Eric Qing (Chairman) Mr Cheung Chung Yan David Mr Chen Xian Mr Lu Zhong Mr Ge Xuan
Risk Management Committee	Mr Ng Kwok Leung Frank (Chairman) Mr Ge Xuan Mr Lu Zhong
Principal Share Registrar and Transfer Office	Maples Fund Services (Cayman) Limited PO Box 1093, Boundary Hall, Cricket Square, Grand Cayman, KY1-1102, Cayman Islands

**CORPORATE INFORMATION AND PARTIES INVOLVED IN THE GLOBAL
OFFERING**

Hong Kong Share Registrar

Computershare Hong Kong Investor Services
Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

Compliance Advisor

TC Capital Asia Limited
Suite 1904, 19th Floor
Tower 6, The Gateway, Harbour City
9 Canton Road, Tsim Sha Tsui, Kowloon
Hong Kong

Principal Banks

China Merchants Bank
Beijing Xiaoguan Branch
1st Floor, Shiao International Center
101 Shaoyaoju North Lane
Chaoyang District, Beijing
PRC

China Minsheng Bank
Beijing Guoao Branch
76 Anli Road
Chaoyang District, Beijing
PRC

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Analysys International, or Analysys, in connection with the Global Offering, or the Analysys Report. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect. None of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or their respective directors, advisers and affiliates have independently verified such information and statistics. Accordingly, none of our Company, the Sole Sponsor, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or their respective directors, advisers and affiliates makes any representation as to the correctness or accuracy of such information and the statistics contained in this prospectus, which may be inaccurate, incomplete, out-of-date or inconsistent with the other information complied within or outside the PRC. For the above reasons, information contained in this section shall not be unduly relied upon. For a discussion of risks relating to our industry, please refer to the section headed “Risk Factors — Risks Relating to Our Business and Our Industry”.

Analysys Report

We have commissioned Analysys to conduct an analysis of the online card and board game industry in the PRC and prepare the Analysys Report. We paid a total consideration of RMB300,000 for the preparation of the Analysys Report. Analysys is an independent consulting firm based in China, providing data, information and advice to companies in various industries including the industry of internet and information technology. Our Directors confirm that, after taking reasonable care, there has been no adverse change in the market information since the date of the Analysys Report which may qualify, contradict or have an impact on the information in the section and that, after considering the major assumptions, industry development and competition landscape, they are satisfied that the disclosure is not misleading and consider the data and statistics in the Analysys Report reliable.

The Analysys Report includes both historical and forecast information relating to the online card and board game industry in the PRC and other relevant economic data. Analysys has relied on a variety of industry sources in determining its market data, including but not limited to, industry databases, interviews with market participants, publicly available statistics, publicly released corporate information and the expertise of Analysys industry analysts.

Analysys’ projection on the market size of online games takes into consideration various factors including (i) historical data of the relevant market size; (ii) the public filings of major online card and board game developers and operators, as well as those companies’ projections of their own prospectus results of operations during Analysys’ interviews with them; and (iii) Analysys’ estimation of industry developments. Analysys’ projection on the player base size is based on certain assumptions, including the expected growth rate of China’s economy and GDP, the level of internet infrastructure improvement and internet speed improvement, and takes into account other factors including historical data of player base size.

The reliability of the Analysys Report may be affected by the accuracy of the foregoing assumptions and factors.

According to the Analysys Report, online card and board games include online games based on and derived from traditional real-world card and board games such as poker, Mahjong and chess.

Overview of the Macroeconomics of China

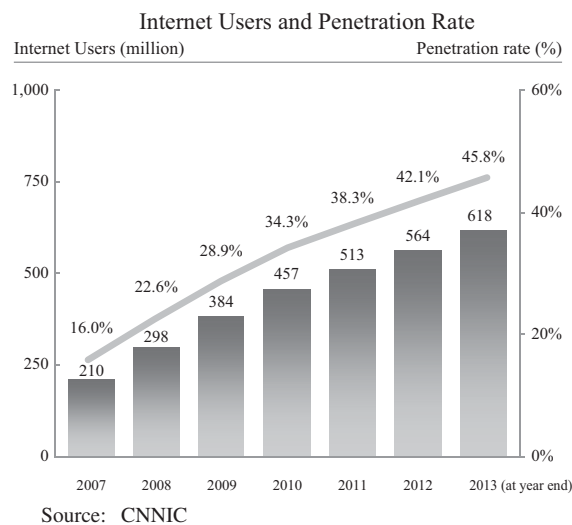
China has experienced significant economic growth in the past several decades. According to the National Bureau of Statistics, the nominal GDP of China increased from RMB24.7 trillion in 2007 to RMB56.9 trillion in

INDUSTRY OVERVIEW

2013, representing a CAGR of 14.9%. Annual per capita disposable income of urban households in China more than tripled from RMB6,280 in 2000 to RMB24,565 in 2012, according to the National Bureau of Statistics of China.

Internet and Mobile Internet Industry in the PRC

The total number of internet users in the PRC has increased significantly in the past several years. According to data published by the China Internet Network Information Center (“CNNIC”), a research institution operated by the PRC government, the total number of internet users in the PRC increased from 210 million as of the end of 2007 to 618 million as of the end of 2013, representing a CAGR of 19.7%, and the internet penetration rate increased from 16.0% as of the end of 2007 to 45.8% as of the end of 2013. The following chart shows the historical total number of internet users and the internet penetration rate in the PRC from 2007 to 2013:



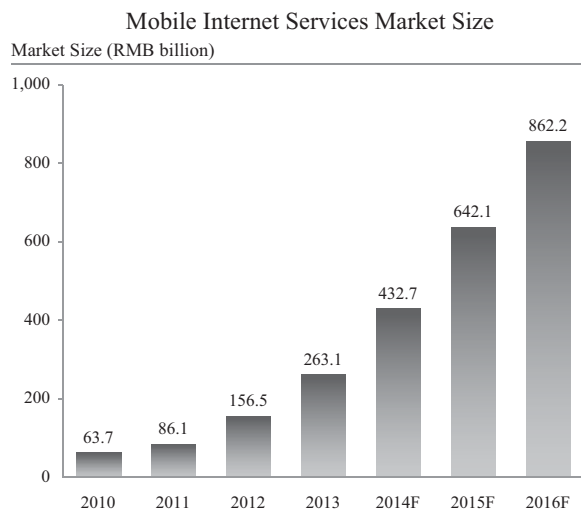
According to the Analysys Report, the rapid growth of internet users in China has benefited from several factors. In recent years, the PRC government has devoted significant resources to the development of internet infrastructure, especially in the areas of broadband and mobile internet. The rapid penetration of smartphones and increasing functions of mobile applications have helped to drive the growth of mobile internet users. According to the Analysys Report, the continued penetration of mobile internet will be the primary driver of the internet user growth in the next few years.

The mobile internet user base has expanded rapidly in the past several years, which has driven the strong growth of the mobile internet services market. According to the Analysys Report, the mobile internet services market size increased from RMB63.7 billion in 2010 to RMB263.1 billion in 2013, representing a CAGR of 60.4% from 2010 to 2013, and is expected to increase to RMB862.2 billion in 2016, representing a CAGR of 48.5% from 2013 to 2016.

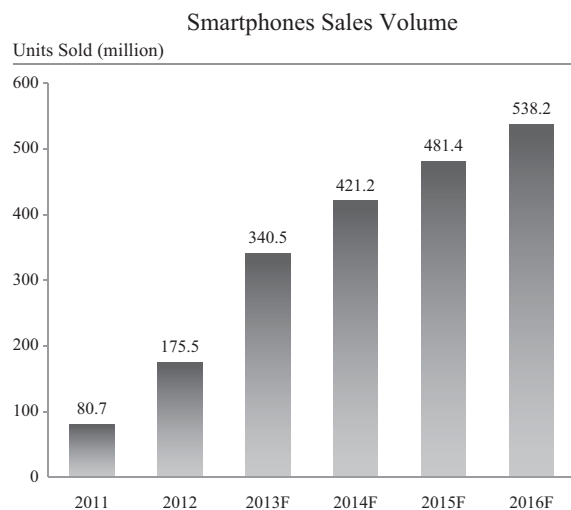
Mobile devices with comprehensive internet functions, such as smartphones and tablet devices, have become increasingly popular in the past several years. The sales of smartphones have experienced significant growth since 2011. According to the Analysys Report, the number of smartphones sold in the PRC increased from 80.7 million in 2011 to an estimated figure of 340.5 million in 2013, representing a CAGR of 105.5%. In 2013, sales of smartphones accounted for over 90% of total mobile phone sales measure by number of units sold. According to the Analysys Report, the number of smartphones sold in the PRC is expected to increase to 538.2 million in 2016, representing a CAGR of 16.5% from 2013 to 2016. The following charts show the

INDUSTRY OVERVIEW

historical and projected mobile internet services market size in the PRC from 2010 to 2016 as well as the number of smartphones sold in the PRC from 2011 to 2016.



Source: Analysys



Source: Analysys

Overview of Online Game Industry in the PRC

The online game market in the PRC has grown rapidly since 2000. According to CNNIC, 338 million people in the PRC played online games in 2013, representing more than half of all internet users in the PRC. According to the Analysys Report, the total online game market size in the PRC by revenue increased from RMB39.1 billion in 2010 to RMB84.2 billion in 2013, representing a CAGR of 29.2%, and is expected to increase to RMB152.5 billion in 2016, representing a CAGR of 21.6% from 2013 to 2016.

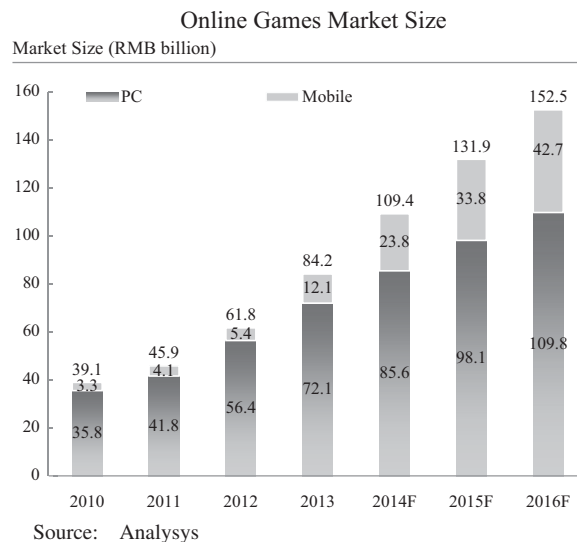
Online games in the PRC can be broadly divided into PC games and mobile games.

PC games consist of client-based games and web games. Client-based games, which require players to download and install client software onto their local computers, were first introduced before 2000, and had accounted for over 80% of the annual revenue of all online games in the PRC until 2011. According to the Analysys Report, client-based games have entered a mature stage. Revenue from client-based games is expected to grow at a slower but stable pace in the next few years. In contrast, web games, which can be played in web browsers without installation of client software, have become the main driving force of the growth in PC games in the PRC. Overall, according to the Analysys Report, the market size of PC games in the PRC by revenue increased from RMB35.8 billion in 2010 to RMB72.1 billion in 2013, representing a CAGR of 26.3%, and is expected to increase to RMB109.8 billion in 2016, representing a CAGR of 15.1% from 2013 to 2016.

With the rapid penetration of smart mobile devices (including smartphones and tablets) and mobile internet access in the past few years, mobile games have correspondingly grown at a fast pace. According to the Analysys Report, the market size of mobile games in the PRC by revenue increased from RMB3.3 billion (or 8.4% of the total online game revenue) in 2010 to RMB12.1 billion (or 14.4% of the total online game revenue) in 2013, representing a CAGR of 54.3%, and is expected to increase to RMB42.7 billion (or 28.0% of the total online game revenue) in 2016, representing a CAGR of 52.3% from 2013 to 2016.

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The following chart shows the historical and projected online games market size in the PRC by revenue from 2010 to 2016:



Overview of Online Card and Board Game Industry in the PRC

Card and board games have a long history in China. Compared to many other entertainment options, card and board games are notable for their long lifespans. Some traditional games such as Mahjong, Go and Chinese Chess have been popular in China for centuries. Since online card and board games were first introduced in the late 1990s, they have attracted a large and sustainable player base.

According to the Analysys Report, the player base of mobile card and board games in the PRC increased from 68 million in 2010 to 140 million in 2013, representing a CAGR of 27.2%, whereas the player base of PC card and board games in the PRC increased from 178 million in 2010 to 209 million in 2013, representing a CAGR of 5.5%. Furthermore, according to the Analysys Report, the player base of mobile card and board games in the PRC is expected to increase to 287 million in 2016, representing a CAGR of 27.0%. By 2016, the player base of mobile card and board games is expected to exceed the player base of PC card and board games in the PRC.

The player base of online card and board games in the PRC consists of a broad range of demographic groups. With the penetration of smart mobile devices and online payment systems, more and more players are playing and paying for online card and board games on the go and during different times of the day. Many players prefer online game platforms with a large and established player base for better playing and community experience. Compared to other online card and board game providers in the PRC, our Company aims to attract and retain more players with high disposable income and players with a strong interest in card and board games. These players tend to play longer and spend more on online card and board games. They often log onto an online game platform multiple times a day and play multiple games.

In line with the growth in player base, revenue derived from online card and board games have also expanded substantially in recent years. According to the Analysys Report, the online card and board game market size in the PRC by revenue increased from RMB1.3 billion in 2010 to RMB2.6 billion in 2013, representing a CAGR of 23.7%, and is expected to increase to RMB4.7 billion in 2016, representing a CAGR of 22.3% from 2013 to 2016.

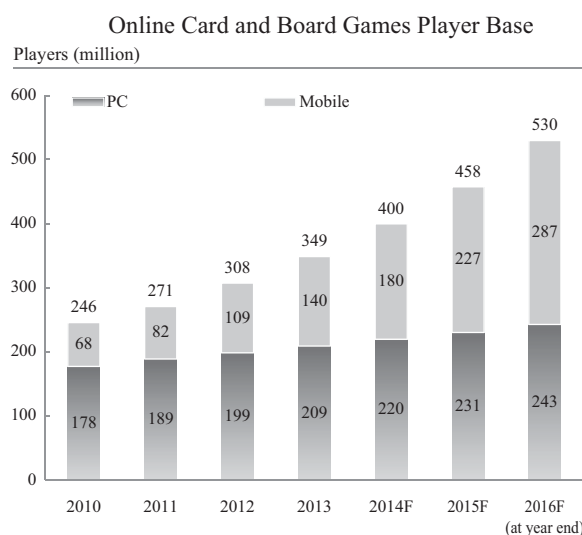
Like mobile games in general, mobile card and board games have grown at a much faster pace than their PC counterparts in recent years. According to the Analysys Report, as the mobile network infrastructure in the PRC

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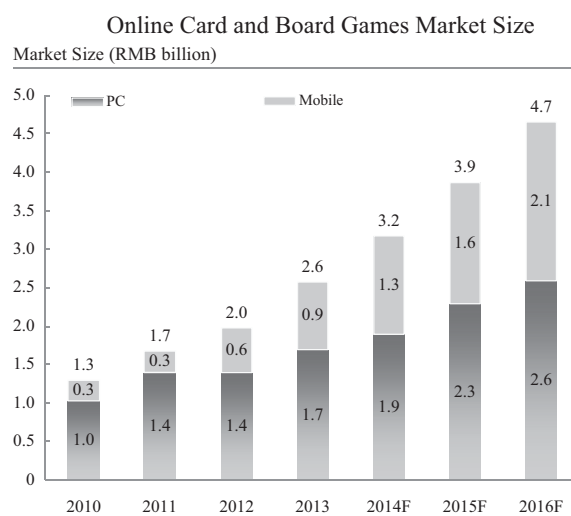
continues to improve, and penetration of mobile smart devices continues to deepen in second- and third-tier cities, mobile card and board games will account for an expanding share of the total online card and board game market in the next several years.

According to the Analysys Report, revenue derived from mobile card and board games in the PRC increased from RMB270 million in 2010 to RMB893 million in 2013, representing a CAGR of 49.0%, whereas revenue derived from PC card and board games in the PRC increased from RMB1.1 billion in 2010 to RMB1.7 billion in 2013, representing a CAGR of 15.4%. Furthermore, according to the Analysys Report, revenue derived from mobile card and board games in the PRC is expected to further increase to RMB2.1 billion in 2016, representing a CAGR of 33.0% from 2013 to 2016, whereas revenue derived from PC card and board games in the PRC is expected to further increase to RMB2.6 billion in 2016, representing a CAGR of 15.7% from 2013 to 2016.

The following charts show the historical and projected online card and board games player base and market size by revenue in the PRC from 2010 to 2016:



Source: Analysys



Source: Analysys

Besides the penetration of mobile internet access and smart mobile devices, according to the Analysys Report, the growth of online card and board games in the PRC has also benefited and will continue to benefit from the following factors:

- long-standing popularity of card and board games in China;
- improved convenience and security of online payment systems in the PRC;
- continuing promotion of online games by major mobile carriers in the PRC;
- support by the PRC government of sports and cultural activities in the form of favourable financial and tax policies; and
- increasing demand for online card and board games by Chinese consumers with improved quality of life.

Competitive Landscape in the Online Card and Board Game Industry in the PRC

Due to the popularity of card and board games in China and the relatively low entry barrier to the online card and board game market, there are a large number of small card and board game providers in the PRC. However, a small number of key competitors account for a substantial percentage of the overall player base of and revenue from online card and board games in the PRC. According to Analysys, the top six card and board games

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providers in the PRC, as measured by user base and by annual revenue in 2013, are Tencent, Ourgame, Bianfeng Games, Boyaa Interactive, Poker City and JJ Games. For the year ended 31 December 2013, these six companies accounted for over 80% of total online card and board game market size in the PRC by revenue. All these six companies offer web and mobile card and board games, and all except Boyaa Interactive offer client-based games.

The Analysys Report ranked these top six PRC online card and board game providers based on a number of metrics. The following table sets forth the rankings of these top six companies by revenue derived from the PRC online card and board game market in 2013, according to Analysys.

Rank	Revenue from online card and board games in the PRC	Revenue from PC card and board games in the PRC market	Revenue from mobile card and board games in the PRC market
1	Tencent	Bianfeng Games	Tencent
2	Bianfeng Games	Tencent	Boyaa Interactive ⁽¹⁾
3	Ourgame	Ourgame	Ourgame
4	Boyaa Interactive ⁽¹⁾	Boyaa Interactive ⁽¹⁾	Bianfeng Games
5	Poker City	Poker City	Poker City
6	JJ Games	JJ Games	JJ Games

Note:

- (1) Boyaa Interactive's online games are offered in several language versions. Analysys estimated Boyaa Interactive's revenue from the PRC online card and board game market based on its revenue from its simplified Chinese game versions. According to Analysys, revenue from simplified Chinese game versions provides a reasonable estimate of revenue derived from the PRC market because (i) substantially all internet users in the PRC play online games in simplified Chinese and (ii) the number of players outside the PRC who play online games in simplified Chinese is very small compared to the number of players in the PRC. If revenue from other language versions were included, Boyaa Interactive's total revenue from online card and board games would be greater than those of Bianfeng Games and Ourgame, respectively, and its total revenue from PC card and board games would be greater than that of Ourgame.

The following table sets forth the rankings of these top six companies by number of online card and board games and cumulative registered players as of 31 December 2013, according to Analysys.

Rank	Number of online card and board games	Cumulative registered players
1	Tencent	Tencent
2	Ourgame	Ourgame
3	Bianfeng Games	Bianfeng Games
4	JJ Games	Boyaa Interactive
5	Poker City	JJ Games
6	Boyaa Interactive	Poker City

REGULATORY OVERVIEW

This section summarises the main PRC laws and regulations which are relevant to our business and operations. As this is a summary, it does not contain a detailed analysis of relevant laws and regulations.

REGULATIONS ON TELECOMMUNICATIONS SERVICES AND FOREIGN OWNERSHIP RESTRICTIONS

Regulations on Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “**Telecommunications Regulations**”) issued on 25 September 2000 provide a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorise telecommunications services into basic telecommunications services and value-added telecommunications services and set out extensive guidelines on various aspects of telecommunications operations in the PRC. The Catalogue of Telecommunications Businesses (《電信業務分類目錄》) attached to the Telecommunications Regulations, which was amended on 21 February 2003 and became effective on 1 April 2003, provides that information services via public communication networks, such as fixed networks, mobile networks and internet are value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in the PRC must obtain an operating license from the MIIT or its provincial-level counterparts.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “**Internet Measures**”), issued by the State Council on 25 September 2000 and amended on 8 January 2011, regulate the provision of internet information services. According to the Internet Measures, “internet information services” refer to services that provide internet information to online users, and are categorised as either commercial services or non-commercial services. Pursuant to the Internet Measures, internet information commercial service providers shall obtain an ICP License from the relevant government authorities before engaging in the provision of any commercial internet information services in China. In addition, if the internet information services involve provision of news, publication, education, medicine, health, pharmaceuticals, medical equipment and other services that statutorily require approvals from other governmental authorities, such approvals must be obtained before applying for the ICP License.

The Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》) (the “**Telecom License Measures**”) were promulgated by the MIIT and became effective on 10 April 2009. The Telecom License Measures, which are formulated in accordance with the Telecommunications Regulations, set out the types of licenses required to provide telecommunications services in the PRC and the procedures and requirements for obtaining such licenses. With respect to the VATS License, the Telecom License Measures distinguish between licenses for business conducted in a single province, which are issued by the provincial-level counterparts of the MIIT, and licenses for trans-provincial businesses, which are issued by the MIIT. In addition, the holder of a telecom operating license that is a limited liability company is required to obtain approval from the original permit-issuing authority prior to any change to its shareholders.

Our PRC operating entity, Lianzhong, has obtained an ICP License issued by Beijing Branch of MIIT with respect to its internet information service business and the VATS License issued by the MIIT with respect to its mobile value-added telecommunications service business.

Regulations Relating to Foreign Investments in Value-added Telecommunications Industry

According to the Guiding Catalogue for Foreign Investment Industries (Amended in 2011) (《外商投資產業指導目錄》(2011年修訂)) promulgated by the MOFCOM and the NDRC, a foreign investor is currently prohibited from owning more than 50% of the equity interest in a PRC entity that provides value-added telecommunications services.

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According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) issued by the State Council on 11 December 2001 and amended on 10 September 2008, foreign investors' ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate a good track record and experience in providing value-added telecommunications services overseas (the “**Qualification Requirements**”). Since no written guidelines have been publicly issued by the MIIT to specify the criterion of the Qualification Requirements, such as what would constitute “a good track record”, the MIIT retains considerable discretion in granting approvals for the foreign investor's commencement of value-added telecommunication business in China.

On 13 July 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “**MIIT Notice**”), which prohibits holders of ICP License from leasing, transferring or selling their licenses to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for illegal operation of telecommunications businesses in the PRC. The MIIT Notice requires that holders of ICP License or their shareholders must directly own the domain names and registered trademarks used by such license holders in their ICP-related services. The MIIT Notice further requires that each license holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license.

REGULATIONS ON ONLINE GAMES AND CULTURAL PRODUCTS AND FOREIGN OWNERSHIP RESTRICTIONS

Pursuant to the aforesaid Guiding Catalogue for Foreign Investment Industries (Amended in 2011) (《外商投資產業指導目錄》(2011年修訂)), the internet culture business is classified as the category of industries prohibiting foreign investment. On 17 February 2011, the MOC issued the revised Interim Provisions on the Administration of Internet Culture (《互聯網文化管理暫行規定》) (the “**Internet Culture Interim Provisions**”), effective as of 1 April 2011. According to the Internet Culture Interim Provisions, “internet cultural products” are defined as including the online games specially produced for internet and games reproduced or provided through internet. Provision of internet cultural products and related services for commercial purpose is subject to the approval of the MOC or its provincial counterpart.

Pursuant to the Online Game Measures and the Internet Culture Interim Provisions, a company engaging in internet culture activities, such as the operation of online games, including mobile games operated through wireless telecommunication networks, issuance of virtual currency and/or provision of virtual currency transaction services must obtain an Internet Culture Business License from the provincial counterpart of the MOC. Our PRC operating entity, Lianzhong, has obtained an Internet Culture Business License issued by Beijing MOC with service scope covering operation of online games and issuance of virtual currency.

The Online Game Measures place restrictions on the content of online games and require that online games shall not contain any content that, among other things, violates the fundamental principles established in the PRC Constitution, endangers unification, sovereignty, and territorial integrity of the State or transgresses social morality, and any other content prohibited by laws, administrative regulations, and provisions of the State. The MOC is responsible for conducting the content review. With respect to online games developed in the PRC, filing procedures with the MOC shall be done within 30 days after the online games are provided via internet within the PRC. The competent supervision authority may require the company who failed to comply with this requirement to rectify the non-compliance and impose penalties up to RMB20,000.

The Online Game Measures require the online game operators to, based on the contents, functions and target users, formulate user guidance and warning information regarding the online games, and indicate such

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information at a conspicuous place of their websites and in the games. The MOC has formulated the Mandatory Provisions for the Standard Agreement for Online Game Services (《網絡遊戲服務格式化協議必備條款》). Pursuant to the Online Game Measures, the service agreement entered into between an online game operator and a user must include all the mandatory provisions specified by the MOC. Other clauses in the service agreement shall not contravene the mandatory provisions. Furthermore, the online game operators are required to take technical and managerial measures to ensure online information security, including preventing computer virus invasion, attack or damage, backing up important data and saving user registration information, operating information, maintenance logs and other information, and protect State secrets, trade secrets and users' personal information.

The MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the Administration of Internet Culture (《關於實施新修訂〈互聯網文化管理暫行規定〉的通知》) on 18 March 2011, which provides that the authorities will temporarily not accept applications by foreign-invested internet content providers for operation of internet culture business (other than online music business). The GAPP Online Game Notice provides, among other things, that foreign investors are not permitted to invest or engage in online games operation in China through wholly-owned subsidiaries, equity joint ventures or cooperative joint ventures, and expressly prohibits foreign investors from gaining control over or participating in domestic online game operations indirectly by way of establishing joint venture companies, establishing contractual arrangements or providing technical support. Substantial violation of the GAPP Online Game Notice provisions on foreign restriction will result in suspension of relevant licenses and registrations. The GAPP Online Game Notice further requires that online games shall obtain approvals from the GAPP before such online games are uploaded to and published on the internet. Any online games that have not obtained approvals from the GAPP in respect of the uploading and publishing may be subject to administrative measures such as investigation and suspension of operation imposed by the GAPP.

Regulations on Internet Publication

On 27 June 2002, the GAPP and the MIIT jointly issued the Interim Regulations on Administration of Internet Publication (《互聯網出版管理暫行規定》) (the “**Internet Publication Regulations**”), which became effective on 1 August 2002. The Internet Publication Regulations imposed a license requirement for internet publication activities, which include online game publication. Under the GAPP Online Game Notice, provision and operation of online games via internet is regarded as an internet publishing activity and subject to the prior approval by the GAPP. The GAPP Online Game Notice further provides that any person or company that intends to engage in operation of online games shall be approved by the GAPP and obtain an Internet Publishing License. Our PRC operating entity, Lianzhong, has obtained an Internet Publication License issued by Beijing Press and Publication Bureau with respect to publication of online games and mobile games.

The Notice on Interpretation of the State Commission Office for Public Sector Reform on Some of the Articles in the “Three Provisions” for Ministry of Culture, State Administration of Radio, Film and Television and General Administration of Press and Publication Concerning Animated Games, Online Games and Comprehensive Law Enforcement in the Culture Market (《關於印發〈中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋〉的通知》), which was issued by the State Commission Office for Public Sector Reform on 7 September 2009, provides that the GAPP will have authority for the examination and approval of online games to be uploaded on the internet and that, after such upload, online games will be administered by the MOC.

Regulations on Anti-fatigue Compliance System and Real-name Registration System

On 15 April 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education, the Ministry of Public Security and the MIIT, jointly issued the Notice on Protecting Minors Mental and Physical health and Implementation of Online Game Anti-fatigue System (《關於保護未成年人身心健康實施網絡遊戲防沉迷系統的通知》) requiring the implementation of an anti-

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fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy”, three to five hours is deemed “fatiguing”, and five hours or more is deemed “unhealthy”. Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games. Pursuant to the Notice regarding Initiation of Online Games Anti-fatigue Real Name Verification (《關於啟動網絡遊戲防沉迷實名驗證工作的通知》) issued by the relevant eight government authorities on 1 July 2011, online game operators must submit the identity information of game players to the National Citizen Identity Information Centre, a subordinate public institution of the Ministry of Public Security, for verification as of 1 October 2011. The Company has entered into an anti-fatigue verification agreement with the National Citizen Identity Information Centre on 10 October 2011, pursuant to which the Company shall submit the identity information of its online game players to the National Citizen Identity Information Centre for verification. The identity information of online game players of the Company has been duly submitted and verified since 2011.

Regulations on Online Gambling and Virtual Currency

On 25 January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued the Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》), (the “**Anti-gambling Notice**”). To curtail online games that involve online gambling, the notice (a) prohibits online game operators from charging commissions in the form of virtual currency in connection with winning or losing of games; (b) requires online game operators to impose limits on use of virtual currency in guessing and betting games; (c) bans the conversion of virtual currency into real currency or property; and (d) prohibits services that enable game players to transfer virtual currency to other players.

On 15 February 2007, 14 PRC regulatory authorities jointly issued the Notice on Further Strengthening Administration of Internet Cafes and Online Games (《關於進一步加強網吧及網絡遊戲管理工作的通知》). In accordance with the notice, the People’s Bank of China (the “**PBOC**”), has the authority to regulate virtual currency, including: (a) setting limits on the aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual; (b) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the online games and not for purchasing tangible or physical products; (c) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (d) banning the trading of virtual currency.

On 4 June 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “**Virtual Currency Notice**”). The Virtual Currency Notice requires companies that (a) issue online game virtual currency (in the form of prepaid cards and/or pre-payment or prepaid card points), or (b) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months after the issuance of the notice. The Virtual Currency Notice prohibits companies that issue online game virtual currency from providing services that would enable the trading of such virtual currency. Any company that fails to submit the requisite application will be subject to sanctions, including, without limitation, mandatory corrective measures and fines.

The Virtual Currency Notice regulates, among others, the amount of virtual currency a company can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon

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the termination of online services. It prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery which involves cash or virtual currency directly paid by the players. The Virtual Currency Notice bans the issuance of virtual currency by game operators to game players through means other than purchases with legal currency. Companies that do not provide online game virtual currency transaction services are required to adopt technical measures to restrict the transfer of online game virtual currency among accounts of different game players.

In addition, the Online Game Measures further provide that (i) virtual currency may only be used to purchase services and products provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user's advance payment; (iii) the storage period of online gamers' purchase record shall not be shorter than 180 days; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. The Online Game Measures stipulate that virtual currency service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

REGULATIONS ON INTELLECTUAL PROPERTY

Copyright

The Copyright Law of the PRC (《中華人民共和國著作權法》), adopted in 1991 and revised respectively in 2001 and 2010, protects copyright and explicitly covers computer software copyright. On 20 December 2001, the State Council promulgated the new Regulations on Computer Software Protection (《計算機軟件保護條例》), effective as of 1 January 2002 and revised in 2013, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal person or other organisations is automatically protected immediately after its development, without an application or approval. Software copyright may be registered with the designated agency and if registered, the certificate of registration issued by the software registration agency will be the preliminary evidence of the ownership of the copyright and other registered matters. On 20 February 2002, the National Copyright Administration of the PRC introduced the Measures on Computer Software Copyright Registration (《計算機軟件著作權登記辦法》), which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Centre of China is mandated as the software registration agency under the regulations.

Trademark

The Trademark Law of the PRC (《中華人民共和國商標法》), adopted in 1982 and revised respectively in 1993, 2001 and 2013, and the Implementation Regulation of the PRC Trademark Law adopted by the State Council in 2002, protect registered trademarks. The SAIC Trademark Office is responsible for trademark registrations. Upon the registration of a trademark, the register will have the right to exclusively use the trademark. Registered trademark license agreements are required to be filed with the SAIC Trademark Office for record.

The Provisions on Recognition and Protection of Well-known Trademarks (《馳名商標認定和保護規定》) promulgated by the SAIC on 17 April 2003, which became effective on 1 June 2003, protect well-known trademarks, which are recognised on a case-by-case basis by the Trademark Review and Adjudication Board of the SAIC, the Trademark Office, or the PRC courts.

Domain Name

Internet domain name registration and related matters are primarily regulated by the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), issued by MIIT on 5 November 2004 and effective as of 20 December 2004 and the Implementing Rules on Registration of Domain Names (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Centre on 28 May 2012, which became effective on 29 May 2012. Domain name registrations are handled through domain name

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service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration.

Patent

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》) and its Implementation Rules. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, “invention”, “utility model” and “design”. “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern or their combination and the combination of colour and shape or pattern, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “designs” is 10 years, from the date of application.

REGULATIONS ON INFORMATION SECURITY AND PRIVACY PROTECTION

Internet content in China is regulated and restricted from a state security standpoint. The Standing Committee of the National People’s Congress enacted the Decisions on the Maintenance of Internet Security (《關於維護互聯網安全的決定》) on 28 December 2000, that may subject persons to criminal liabilities in China for any attempt to: (a) gain improper entry to a computer or system of strategic importance; (b) disseminate politically disruptive information; (c) leak state secrets; (d) spread false commercial information or (e) infringe upon intellectual property rights. In 1997, the Ministry of Public Security issued the Administration Measures on the Security Protection of Computer Information Network with International Connections (《計算機信息網絡國際聯網安全保護管理辦法》), which prohibit using the internet in ways which, among others, result in a leakage of state secrets or a spread of socially destabilizing content. The Ministry of Public Security has supervision and inspection powers in this regard, and relevant local security bureaus may also have jurisdiction. If an ICP License holder violates these measures, the PRC government may revoke its ICP License and shut down its websites.

On 13 December 2005, the Ministry of Public Security issued the Regulations on Technological Measures for Internet Security Protection (《互聯網安全保護技術措施規定》) (the “**Internet Protection Measures**”), which took effect from 1 March 2006. The Internet Protection Measures require internet service providers to take proper measures including anti-virus, data back-up and other related measures, and keep records of certain information about its users (including user registration information, log-in and log-out time, IP address, content and time of posts by users) for at least 60 days, and detect illegal information, stop transmission of such information, and keep relevant records. Internet services providers are prohibited from unauthorised disclosure of users’ information to any third parties unless such disclosure is required by the laws and regulations. They are further required to establish management systems and take technological measures to safeguard the freedom and secrecy of the users’ correspondences.

In December 2012, the Standing Committee of the PRC National People’s Congress promulgated the Decision on Strengthening Network Information Protection (《關於加強網絡信息保護的決定》) to enhance the legal protection of information security and privacy on the internet. In July 2013, the MIIT promulgated the Provisions on Protection of Personal Information of Telecommunication and Internet Users (《電信和互聯網用戶個人信息保護規定》) to regulate the collection and use of users’ personal information in the provision of telecommunication service and internet information service in China. Telecommunication business operators and internet service providers must specify the purposes, manners and scopes of information collection and uses, obtain consent of the relevant citizens, and keep the collected personal information confidential. Telecommunication business operators and internet service providers are prohibited from disclosing, tampering with, damaging, selling or illegally providing others with, collected personal information. Telecommunication

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business operators and internet service providers are required to take technical and other measures to prevent the collected personal information from any unauthorised disclosure, damage or loss.

REGULATIONS ON FOREIGN EXCHANGE

SAFE Circular 75

On 21 October 2005, SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents' Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (《關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) (the “**SAFE Circular 75**”), which became effective as of 1 November 2005. Pursuant to the SAFE Circular 75 and a series of its implementation rules and guidance:

(a) a PRC resident is required to complete the initial registration with the local SAFE counterpart before incorporating or acquiring control of an offshore special purpose vehicle (“**SPV**”) for the purpose of offshore equity financing involving a roundtrip investment whereby the SPV acquires or controls onshore assets or equity interests held by the PRC resident.

(b) The PRC resident is also required to amend the registration or handle a filing procure upon (i) injection of the assets or equity interests in an onshore company or undertaking of offshore financing, and (ii) a material change that may affect the capital structure of the SPV.

Failure to comply with the registration procedures set forth above may result in restrictions on a PRC subsidiary's foreign exchange activities and its ability to distribute dividends to the SPV, and penalties on the PRC resident and/or the PRC subsidiary of the SPV.

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations (《外匯管理條例》) promulgated by the State Council on 29 January 1996 as amended on 14 January 1997 and 5 August 2008, the Renminbi is freely convertible for current account items, including the distribution of dividends, interest payments, trade and service-related foreign exchange transactions, but not for capital account items, such as direct investments, loans, repatriation of investments and investments in securities outside of China, unless SAFE's prior approval is obtained and prior registration with SAFE is made. On 19 November 2012, SAFE issued Notice on Further Improving and Adjusting Foreign Administration Policies in Respect of Foreign Direct Investment (《國家外匯管理局關於進一步改進和調整直接投資外匯管理政策的通知》) (“**SAFE Circular 2012-59**”), which became effective on 17 December 2012. SAFE Circular 2012-59 provides, amongst other things, detailed implementing rules on initial registration procedures relating to incorporation of offshore SPVs owned by onshore residents and amendment registration procedures relating to changes to such offshore SPVs. On 11 May 2013, SAFE issued the Circular on Promulgation of Administrative Measures on Foreign Exchange of Direct Investment by Foreign Investors and Ancillary Documents (《關於印發〈外國投資者境內直接投資外匯管理規定〉及配套文件的通知》) (the “**SAFE Circular 21**”). SAFE Circular 21 provides for and simplifies the operational steps and regulations on foreign exchange matters related to direct investment by foreign investors, including foreign exchange registration, account opening and use, receipt and payment of funds, and settlement and sales of foreign exchange.

On 29 August 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《關於完善外商投資企業外匯資金支付結匯管理有關業務操作問題的通知》) (the “**SAFE Circular 142**”) to regulate the settlement of foreign currency capital into Renminbi by a foreign-invested enterprise by restricting the ways in which the settled Renminbi may be used. SAFE Circular 142 stipulates that the foreign currency registered capital of a foreign-invested enterprise that has been settled in Renminbi may

REGULATORY OVERVIEW

only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the foreign currency registered capital of a foreign-invested enterprise settled in Renminbi. If any Renminbi proceeds settled from foreign currency capital of a foreign-invest enterprise (i) are used in any way other than the way approved by SAFE or outside the business scope of such enterprise, or (ii) are used to repay any unused Renminbi loan of such enterprise, such enterprise will be subject to punishment by SAFE. Violations of SAFE Circular 142 may lead to severe penalties including heavy fines. Following the issuance of the SAFE Circular 142, on 19 November 2010, SAFE promulgated the Circular on Enhancing Administration Measures on Foreign Currency Issues (《關於加強外匯業務管理有關問題的通知》) (the “**SAFE Circular 59**”) which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. Furthermore, in November 2011, SAFE issued the Circular on Further Clarifying and Regulating Matters Relating to Foreign Exchange Administration of Certain Capital Account Items (《國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知》) (the “**SAFE Circular 45**”). SAFE Circular 45 requires SAFE’s local counterparts to strengthen the control imposed by SAFE Circular 142 and SAFE Circular 59 over the conversion of a foreign-invested company’s capital foreign currency into Renminbi. SAFE Circular 45 stipulates that a foreign-invested company’s Renminbi funds, if settled from such company’s foreign currency capital, may not be used by such company to (a) extend loans (in the form of entrusted loans), (b) repay borrowings between enterprises, or (c) repay bank loans it has obtained and on-lent to third parties.

Regulations on Dividend Distribution

The principal laws and regulations regulating the dividend distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the People’s Republic of China (《中華人民共和國公司法》), as amended on 27 October 2005 and 1 March 2014, the Foreign Investment Enterprise Law (《中華人民共和國外資企業法》) as amended in 2000, and its implementation regulations as amended in 2001 and 2014. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

Stock Option Rules

The Administration Measures on Individual Foreign Exchange Control (《個人外匯管理辦法》) were promulgated by the PBOC on 25 December 2006, and their Implementation Rules, issued by the SAFE on 5 January 2007, became effective on 1 February 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorised branch. Furthermore, the Notices on Issues concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “**Stock Option Rules**”), were promulgated by SAFE on 15 February 2012, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》) issued by SAFE on 28 March 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC

REGULATORY OVERVIEW

subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents' exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the domestic individuals participating in the stock incentive plans of overseas listed companies with SAFE or its local branches.

LAWS AND REGULATIONS RELATING TO TAX

Enterprise Income Tax

According to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the “**EIT Law**”) promulgated by National People's Congress on 16 March 2007, and the Implementing Rules of the PRC Law of Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (the “**EIT Implementation Rules**”), both of which came into effect on 1 January 2008, enterprises are classified as resident enterprises and non-resident enterprises. PRC resident enterprises typically pay an enterprise income tax at the rate of 25% while non-PRC resident enterprises without any branches in PRC should pay an enterprise income tax in connection with their income from PRC at the tax rate of 10%. In addition, an enterprise established outside of the PRC with its “de facto management bodies” located within the PRC is considered a “resident enterprise”, meaning that it can be treated in a manner similar to a PRC domestic enterprise for enterprise income tax purposes. The Implementing Rules of the EIT Law define de facto management body as a managing body that in practice exercises “substantial and overall management and control over the production and operations, personnel, accounting, and properties” of the enterprise.

The EIT Law and EIT Implementation Rules provide that an income tax rate of 10% will normally be applicable to dividends payable to investors that are “non-resident enterprises”, and gains derived by such investors, which (a) do not have an establishment or place of business in the PRC or (b) have an establishment or place of business in the PRC, but the relevant income is not effectively connected with the establishment or place of business to the extent such dividends and gains are derived from sources within the PRC. Such income tax on the dividends may be reduced pursuant to a tax treaty between China and the jurisdictions in which our non-PRC shareholders reside. Pursuant to an Arrangement Between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation on Income (《內地和香港特別行政區關於所得避免雙重徵稅和防止偷稅漏稅的安排》) (the “**Double Tax Avoidance Arrangement**”), and other applicable PRC laws, if a Hong Kong resident enterprise is determined by the competent PRC tax authority to have satisfied the relevant conditions and requirements under such Double Tax Avoidance Arrangement and other applicable laws, the 10% withholding tax on the dividends the Hong Kong resident enterprise receives from a PRC resident enterprise may be reduced to 5% upon receiving approval from in-charge tax authority. However, based on the Notice on Certain Issues with Respect to the Enforcement of Dividend Provisions in Tax Treaties (《關於執行稅收協定利息條款有關問題的通知》) issued on 20 February 2009 by the SAT, or Circular 81, if the relevant PRC tax authorities determine, in their discretion, that a company benefits from such reduced income tax rate due to a structure or arrangement that is primarily tax-driven, such PRC tax authorities may adjust the preferential tax treatment; and based on the Notice on the Interpretation and Recognition of Beneficial Owners in Tax Treaties (《關於如何理解和認定稅收協定中“受益所有人”的通知》), which was issued on 27 October 2009 by

REGULATORY OVERVIEW

the SAT, and the Announcement on the Recognition of Beneficial Owners in Tax Treaties (《關於認定稅收協定中“受益所有人”的公告》), which was issued on 29 June 2012 by the SAT, conduit companies, which are established for the purpose of evading or reducing tax, or transferring or accumulating profits, shall not be recognised as beneficial owners and thus are not entitled to the above-mentioned reduced income tax rate of 5% under the Double Tax Avoidance Arrangement.

Value-Added Tax and Business Tax

Pursuant to the Provisional Regulations of the PRC on Value-Added Tax (《中華人民共和國增值稅暫行條例》), which was promulgated by the Stated Council on 13 December 1993 and subsequently amended on 10 November 2008 and its Implementation Rules (《中華人民共和國增值稅暫行條例實施細則》) which was promulgated by the MOF on 18 December 2008 and subsequently amended by the MOF and the SAT on 28 October 2011, unless stated otherwise, the tax rate for value-added tax payers who are selling or importing goods, and providing processing repairs and replacement services in China shall be 17%.

Prior to 1 January 2012, pursuant to The Provisional Regulations of the PRC on Business Tax (《中華人民共和國營業稅暫行條例》), which became effective on 1 January 1994 and were subsequently amended on 10 November 2008 and became effective on 1 January 2009, and its implementation rules, all institutions and individuals providing taxable services, transferring intangible assets or selling real estate within the PRC must pay business tax. The scope of services which constitute taxable services and the rates of business tax are prescribed in the List of Items and Rates of Business Tax (《營業稅稅目稅率表》) attached to the regulation.

Since 1 January 2012, the MOF and the SAT have been implementing the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點方案》) (the “**Pilot Plan**”). As approved by the State Council on 25 July 2012, this Pilot Plan was first launched in Shanghai, and since 1 August 2012, such Pilot Plan has been expanded to other regions. Value-added tax is or will be applicable at a rate of 6% in lieu of business tax for the online games services rendered by WFOE and the PRC Operational Entities. Value-added tax payable on goods sold or taxable services provided by a general value-added tax taxpayer for a taxable period is the net balance of the output value-added tax for the period after crediting the input Value-added tax for the period.

REGULATIONS ON LABOUR AND SOCIAL SECURITY

Employment Laws

The Labour Contract Law of the PRC (《中華人民共和國勞動合同法》) (“**Labour Contract Law**”), which was implemented on 1 January 2008 and amended on 28 December 2012, is primarily aimed at regulating employee/ employer rights and obligations, including matters with respect to the establishment, performance and termination of labour contracts. Pursuant to the Labour Contract Law, labour contracts shall be concluded in writing if labour relationships are to be or have been established between enterprises or institutions and the labourers. Enterprises and institutions are forbidden to force labourers to work beyond the time limit and employers shall pay labourers for overtime work in accordance with national regulations. In addition, labour wages shall not be lower than local standards on minimum wages and shall be paid to labourers timely.

According to the Labour law of the PRC (《中華人民共和國勞動法》) promulgated on 5 July 1994 and effective on 1 January 1995, enterprises and institutions shall establish and improve their system of workspace and sanitation, strictly abide by state rules and standards on workspace safety, educate labourers in labour safety and sanitation in the PRC. Labour safety and sanitation facilities shall comply with state-fixed standards. Enterprises and institutions shall provide labourers with a safe workspace and sanitation conditions which are in compliance with state stipulations and the relevant articles of labour protection.

Social Insurance and Housing Funds

As required under the Social Insurance Law of the PRC (《中華人民共和國社會保險法》), which became effective on 1 July 2011 and other relevant laws and regulations, enterprises are obliged to provide their employees in the

REGULATORY OVERVIEW

PRC with welfare schemes covering pension insurance, unemployment insurance, maternity insurance, labour injury insurance and medical insurance. Enterprises shall pay the social insurance for its employees in accordance with the rates provided under relevant regulations and shall withhold the social insurance that should be assumed by the employees. The authorities in charge of social insurance may request an employer's compliance and impose sanctions if such employer fails to pay and withhold social insurance in a timely manner.

In accordance with the Regulations on the Management of Housing Funds (《住房公積金管理條例》) which was promulgated in 1999 and amended in 2002, enterprises must register at the competent managing centre for housing funds and, upon the examination by such managing centre of housing funds, complete procedures for opening an account at the relevant bank for the deposit of employee's housing funds. Enterprises are also required to pay and deposit housing funds in full and on time.

M&A RULES AND OVERSEAS LISTINGS

On 8 August 2006, six PRC regulatory authorities, including the MOFCOM, the State-owned Assets Supervision and Administration Commission, the SAT, the State Administration for Industry and Commerce, the CSRC, and the SAFE, jointly issued the Regulation on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於外國投資者併購境內企業的規定》) (the "M&A Rules"), which became effective on 8 September 2006, as amended on 22 June 2009. This regulation, among other things, purports to require that an offshore special purpose vehicle controlled directly or indirectly by PRC companies or individuals and formed for purposes of overseas listing through acquisition of PRC domestic interests held by such PRC companies or individuals obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange.

The CSRC has not issued any definitive rules or interpretations concerning whether offerings such as our offering are subject to the CSRC approval procedures under the M&A Rules. However, our PRC Legal Advisor has advised us that based on its understanding of the current PRC laws, rules and regulations and the M&A Rules, prior approval from the CSRC is not required under the M&A Rules for our Listing because we have not acquired any equity interest or assets of a PRC domestic company owned by our beneficial owners that are PRC companies or individuals as defined under the M&A Rules after the effective date of the M&A Rules. However, our PRC Legal Advisor has further advised us uncertainties still exist as to how the M&A Rules will be interpreted and implemented and its opinions summarised above are subject to any new laws, rules and regulations or detailed implementations and interpretations in any form relating to the M&A Rules.

Our PRC Legal Advisor is of the opinion that approvals from the relevant authorities have been obtained and the Reorganization and the proposed Listing comply with the relevant PRC Law.

For more details about the Reorganization, please refer to the section headed "History, Reorganization and Corporate Structure — Reorganization".

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR BUSINESS DEVELOPMENT

Our Company was incorporated in the Cayman Islands on 4 December 2013 and, as part of the Reorganization, became the holding company of our subsidiaries. Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company. Prior to the incorporation of our Company and completion of the Reorganization, our business was carried out by our PRC Operating Entities.

The history of our Group can be traced to March 1998 when three computer programmers, Mr Bao Yueqiao, Mr Wang Jianhua and Mr Jian Jing, established with their personal funds Lianzhong Computer Technology Co., Ltd. (北京聯眾電腦技術有限責任公司) (“**Lianzhong Computer**”), the predecessor to Lianzhong. In the same year, Lianzhong Computer launched its first online card and board game PC client portal in China, Ourgame World (聯眾世界). Since then, Lianzhong Computer has developed a widely recognised and well regarded brand in the online card and board game industry in China.

In June 2004, Haihong Holdings Limited (海虹企業(控股)股份有限公司) (“**Haihong**”) via Sino Power Management Limited, an overseas subsidiary of Haihong, and a Korean internet company, NHN Corporation (“**NHN**”) via NHN-PCCS HK Ltd. and NHN Global Ltd., obtained beneficial control of Lianzhong Computer. Between 2004 and 2010, Haihong and NHN shifted Lianzhong Computer’s focus primarily to MMOGs and away from its well-known online card and board games business. In particular, Lianzhong Computer devoted significant resources to the in-house development of MMOGs. MMOGs typically entail long development cycles with substantial investment of human and financial resources, and it is difficult to predict whether an MMOG will be viable until a product is almost completed and into test launch stage, at which time substantial costs have been incurred. Lianzhong’s self-developed MMOGs were not successful during this period.

In December 2010, Wildwolf Investment Consultant Limited (北京偉德沃富投資顧問有限公司) (“**Wildwolf**”) acquired 68.19% of the equity interest in Lianzhong Computer from Haihong and NHN. As of December 2010, Mr Zhang, Mr Liu, Mr Shen (through his spouse, Ms Weng Jie) and Ms Long (through her spouse, Mr Xu Jianping), our Controlling Shareholders, collectively held 79.1% of the equity interest in Wildwolf and thus, through the controlling interest in Wildwolf, also controlled Lianzhong Computer. According to the Marriage Law of the PRC, unless otherwise agreed in writing, any asset or property acquired by husband or wife during the marriage shall fall within community property, to which both spouses shall have equal rights irrespective of the title registration. Therefore, the equity interests in Wildwolf held by Ms Weng Jie and Mr Xu Jianping were the community property jointly owned by them and their respective spouses, Mr Shen and Ms Long. Furthermore, Ms Weng Jie and Mr Xu Jianping have each signed written confirmations that their equity interests in Wildwolf were held for the benefit of their respective spouses, Mr Shen and Ms Long. Our PRC Legal Advisor and the Sole Sponsor’s PRC Legal Advisor are of the opinion that the equity interests in Wildwolf held by Ms Weng Jie and Mr Xu Jianping could be respectively attributable to Mr Shen and Ms Long. By the end of 2010, we had entirely discontinued our in-house development of MMOGs, and since then, we have restored our business focus back to online card and board games. Senior management also changed after the Wildwolf acquisition. In particular, Mr Yang Eric Qing, the Company’s current Co-Chief Executive Officer and Chairman of our Board, joined the Group on 1 December 2010. We have developed an integrated online card and board game platform with an extensive portfolio of PC and mobile games. To promote our online games, we have started to organise combined online and offline card and board game tournaments and, since 2012, we have organised a number of large-scale combined online and offline tournaments sanctioned by government authorities and well-known sports associations.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

The following table summarizes the key milestones of our business development since our inception:

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|------|--|
| 1998 | <ul style="list-style-type: none">• We launched our PC client portal Ourgame World, and ten online card and board games including <i>Go</i> (圍棋), <i>Tractor</i> (升級), <i>Chinese Chess</i> (中國象棋) and <i>Bridge</i>. |
| 2000 | <ul style="list-style-type: none">• We organised the China-Korea Online Go Tournament, which was participated by over 12,000 players, the then Guinness World Record. |
| 2005 | <ul style="list-style-type: none">• We started to introduce third-party operated games on our online platform, such as the MMOG <i>Space Homeland</i> (星際家園). |
| 2008 | <ul style="list-style-type: none">• We launched a 3D MMOG <i>Reign of Revolution</i> (or <i>R2</i>) as the exclusive distributor in the PRC. |
| 2011 | <ul style="list-style-type: none">• We launched our web games <i>Tiantian Fight the Landlord</i> (天天鬥地主) and <i>Talent Mahjong</i> (達人麻將).• We launched our mobile game <i>Single-Player Fight the Landlord</i> (單機鬥地主).• We launched our first <i>Texas Hold'em</i> game at our website <i>Poker World</i> (撲克世界). |
| 2012 | <ul style="list-style-type: none">• Our trademark “Ourgame Club” (“聯眾俱樂部”) was recognised by the State Administration for Industry and Commerce as a “China Famous Trade Mark” (“中國馳名商標”).• We launched our Texas Hold'em web game.• We launched the mobile version of <i>Talent Mahjong</i>.• We organised the first Texas Hold'em combined online and offline tournament in China authorised by the World Poker Tour, known as “WPT National China”.• We partnered with Shanghai Yaoji Playing Card Co. Ltd. (“Yaoji”) to launch the first season of Fight the Landlord Gold League (鬥地主黃金聯賽), an event integrating online and offline tournaments and TV game shows.• Our web game <i>Tiantian Fight the Landlord</i> received the China Outstanding Publication Award (中國優秀出版物獎). |
| 2013 | <ul style="list-style-type: none">• We organized the second annual WPT National China in Sanya.• We were chosen by World Bridge Federation and the General Administration of Sport of China as a co-organizer of the 14th World Bridge Series Championships in October 2014.• Lianzhong was accredited as a Key Software Enterprise for 2013-2014 by five PRC state authorities including the National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Finance, the Ministry of Commerce, and the State Administration of Taxation.• Our mobile game <i>Single-Player Fight the Landlord</i> was chosen as a top-50 game at the 8th Global Mobile Game Developers Conference.• Our online game platform was named a 2013 China Top Ten Game Operation Platform (中國十大遊戲運營平臺) by the China Game Industry Annual Conference (中國出版協會). |
| 2014 | <ul style="list-style-type: none">• We launched the WPT Dragon Series and hosted the first stop in Vietnam. |

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CORPORATE DEVELOPMENT AND SHAREHOLDING CHANGES OF OUR GROUP

We are a holding company incorporated in Cayman Islands and conduct our operations primarily through a series of contractual arrangements between us, Lianzhong and the shareholders of Lianzhong. We set out below the corporate history and shareholding changes of the entities comprising our Group.

Our Company

Our Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 December 2013. Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company. On incorporation, the authorised share capital of the Company was US\$50,000 divided into 50,000 shares of par value of US\$1.00 each and the initial issued share capital of our Company was US\$10,000.00 divided into 10,000 shares of a nominal value of US\$1.00 each. On the same day, the Company issued 3,000 Shares, 2,679 Shares, 870 Shares, 1,607 Shares, 761 Shares, 536 Shares and 547 Shares to Elite Vessels Limited (100% owned by Mr Zhang), Sonic Force Limited (100% owned by Mr Liu), Blink Milestones Limited (100% owned by Mr Liu), Prosper Macrocosm Limited (100% owned by Mr Shen), Iconic Ocean Limited (100% owned by Mr Bao Yueqiao), Golden Liberator Limited (100% owned by Ms Long) and Celestial Radiant Limited (100% owned by Ms Wu Lan), respectively, representing approximately 30.00%, 26.79%, 8.70%, 16.07%, 7.61%, 5.36% and 5.47% of the issued share capital of our Company, respectively. On 27 January 2014, our Company sub-divided its Shares at the ratio of 1:20,000, with a nominal value of US\$0.00005 for each Share. Immediately after the share sub-division, Mr Zhang, Mr Liu, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan, through the aforementioned companies directly held by them, held 60,000,000 Shares, 70,980,000 Shares, 32,140,000 Shares, 15,220,000 Shares, 10,720,000 Shares and 10,940,000 Shares in the Company, respectively. On 27 January 2014, Mr Zhang, Mr Liu, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan, through companies directly held by them, transferred 2,450,320 Shares, 2,188,136 Shares, 1,312,556 Shares, 621,564 Shares, 437,790 Shares and 446,776 Shares, respectively, representing 3.73% of the total issued share capital of the Company to Blink Milestones Limited. Blink Milestones Limited is legally owned by Mr Liu and was established for the purpose of holding shares in the Company to grant employees of the Group the options under the Employees Pre-IPO Share Option Scheme. On 10 February 2014, the Company completed the pre-IPO investment by CMC and KongZhong, further details of which are described below.

Our Subsidiaries

Lianzhong Hong Kong

On 18 December 2013, Lianzhong Hong Kong, a direct wholly-owned subsidiary of our Company, was incorporated in Hong Kong. The registered share capital of Lianzhong Hong Kong is HK\$10,000 divided into 10,000 shares of HK\$1.00 each. The principal business activity of Lianzhong Hong Kong is overseas operating management.

The WFOE

On 21 January 2014, the WFOE was incorporated in the PRC. As at the date of incorporation, the registered share capital of the WFOE was US\$350,000 and Lianzhong Hong Kong is the WFOE's sole shareholder. The principal business activity of the WFOE is providing management and consultation services to Lianzhong pursuant to the Contractual Arrangements.

Our PRC Operating Entity and its Subsidiaries

Lianzhong

Lianzhong Computer, the predecessor to Lianzhong and our principal PRC Operating Entity, was incorporated as a limited company in China and commenced business on 23 March 1998. As at the date of incorporation,

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Lianzhong Computer's registered share capital was RMB500,000, 33.4%, 33.3% and 33.3% of which was contributed by Mr Bao Yueqiao who is currently a Shareholder; Mr Jian Jing and Mr Wang Jianhua (who are independent third parties), respectively. The principal business activities of Lianzhong are operating online card and board games.

Between the date of its incorporation and the Reorganization, the share capital of Lianzhong Computer underwent a number of increases from RMB500,000 to RMB72,000,000. In addition, the issued share capital of Lianzhong Computer also underwent a number of transfers. A summary of the principal changes in the issued share capital of Lianzhong Computer is set out below:

- On 17 June 1999, Lianzhong Computer increased its share capital from RMB500,000 to RMB2,500,000. The increase of RMB2,000,000 was contributed by Zhonggong Web Information Technology and Service Co., Ltd. (中公網信息技術與服務有限公司) (“**Zhonggong Information**”), an independent third party. Upon the completion of the capital increase, Zhonggong Information, Bao Yueqiao, Jian Jing and Wang Jianhua held 79%, 7%, 7% and 7% of the issued share capital of Lianzhong Computer, respectively.
- On 15 April 2001, Zhonggong Information transferred 67.6% of the issued share capital of Lianzhong Computer to Hainan Haihong Investment Co., Ltd. (海南海虹投資諮詢有限公司), the parent company of Zhonggong Information, an independent third party, for a consideration of RMB1,690,000, which was determined after arm's length negotiations, subsequent to which each of Haihong Investment Co., Ltd., Zhonggong Information, Mr Bao Yueqiao, Mr Jian Jing and Mr Wang Jianhua held 67.6%, 11.4%, 7%, 7% and 7% of the issued share capital of Lianzhong Computer. Subsequently on 29 May 2001, both Zhonggong Information and Hainan Haihong Investment Co., Ltd. transferred their entire interest in Lianzhong Computer to Haihong, an independent third party, for a consideration of RMB310,000 and RMB1,690,000, respectively, which was determined based on arm's length negotiations. After the transfer, Haihong became the largest shareholder of Lianzhong Computer, holding a 79% interest in Lianzhong Computer. The transfer was made due to an internal reorganisation of Haihong.
- On 12 May 2004, Lianzhong Computer increased its share capital to RMB10,000,000, 79% of which was contributed by Haihong, and 21% of which was contributed by Mr Bao Yueqiao, Mr Jian Jing and Mr Wang Jianhua in equal proportions. On 28 May 2004, Mr Jian Jing and Mr Wang Jianhua transferred their entire interests to Mr Bao Yueqiao, who subsequently held a 21% interest in Lianzhong Computer. In June 2004 the shareholders of Lianzhong Computer entered into contracts pursuant to which beneficial control over Lianzhong Computer was obtained by Haihong and NHN through NHN-PCCS HK Ltd. and NHN Global Ltd. (the “**Offshore Cos**”).
- On 12 October 2004, Haihong transferred 29% interest in Lianzhong Computer to Mr Bao Yueqiao for a consideration of RMB 31,374,018.80, which was determined based on arm's length negotiations. After the transfer, Haihong and Mr Bao Yueqiao each held 50% of the issued share capital of Lianzhong Computer.
- As a result of an equity transfer in December 2010, Haihong transferred a 21.7% interest in Lianzhong Computer to Wildwolf for a consideration of RMB3,850,000 and Mr Bao Yueqiao transferred a 46.49% interest in Lianzhong Computer to Wildwolf for a consideration of RMB33,123,018.8. The considerations for the transfers were determined based on commercial negotiations. After the transfer, Wildwolf became the largest shareholder of Lianzhong Computer owning 68.19% of the issued share capital. In June 2011, Haihong transferred its remaining 28.3% interest in Lianzhong Computer to Wildwolf for a consideration of RMB21,280,000. The consideration for the transfer was also determined based on commercial negotiations. After the transfer, Wildwolf held 96.49% of the issued share capital of Lianzhong Computer, with the remaining 3.51% interest held by Mr Bao Yueqiao. In connection with the acquisition of Lianzhong Computer by Wildwolf, a wholly-owned subsidiary of Wildwolf acquired the entire equity interest in the Offshore Cos in December 2010 for a consideration of US\$47,389,203, which was determined on arm's length commercial negotiations. The Offshore Cos are no longer interested in Lianzhong and have since ceased to be part of our corporate structure.

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- On 10 January 2012, Wildwolf transferred 6.00%, 4.83%, 5.87%, 9.39%, 17.60%, 29.34%, and 23.47% of the issued share capital of Lianzhong Computer to Yile Shenglian, Mr Bao Yueqiao, Ms Long, Mr Li Jianhua, Mr Shen, Mr Liu and Mr Zhang, respectively. After the transfer, each of Yile Shenglian, Mr Bao Yueqiao, Ms Long, Mr Li Jianhua, Mr Shen, Mr Liu and Mr Zhang held 6.00%, 8.34%, 5.87%, 9.39%, 17.60%, 29.34% and 23.47% of the issued share capital of Lianzhong Computer respectively.
- On 8 June 2012, Lianzhong Computer increased its share capital by RMB1,111,111.11 to RMB11,111,111.11, all of which was contributed by Tongshengcheng. Tongshengcheng is a limited partnership enterprise incorporated in the PRC for the purpose of implementing an employee share incentive plan granted by the shareholders of Lianzhong Computer. Employees and management of Lianzhong Computer were awarded ownership interests in Tongshengcheng, which in turn, owns an equity interest in Lianzhong Computer. The funds used to capitalise Tongshengcheng were derived from employees' contributions for the shares. After the capital increase, each of Tongshengcheng, Yile Shenglian, Mr Bao Yueqiao, Ms Long, Mr Li Jianhua, Mr Shen, Mr Liu and Mr Zhang held 10.00%, 5.40%, 7.50%, 5.28%, 8.45%, 15.84%, 26.40% and 21.12% of the issued share capital of Lianzhong Computer respectively.
- On 20 June 2012, Lianzhong Computer increased its share capital by RMB1,660,280.97 to RMB12,771,392.08, all of which was contributed by Jiuding. After the capital increase, each of Tongshengcheng, Jiuding, Yile Shenglian, Mr Bao Yueqiao, Ms Long, Mr Li Jianhua, Mr Shen, Mr Liu and Mr Zhang held 8.70%, 13.00%, 4.70%, 6.53%, 4.59%, 7.35%, 13.78%, 22.97% and 18.38% of the issued share capital of Lianzhong Computer respectively.
- On 22 August 2012, Lianzhong Computer increased its share capital from RMB12,771,392.08 to RMB72,000,000, which was contributed by Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Mr Bao Yueqiao, Ms Long, Yile Shenglian, Tongshengcheng and Jiuding, respectively. After such increase, Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Mr Bao Yueqiao, Ms Long, Yile Shenglian, Tongshengcheng and Jiuding held 18.38%, 22.97%, 13.78%, 7.35%, 6.53%, 4.59%, 4.70%, 8.70% and 13.00% of the issued share capital, respectively. On the same date, Lianzhong Computer changed its corporate form from limited liability company (有限責任公司) to joint stock limited company (股份有限公司) and changed its name to "Beijing Lianzhong Co., Ltd. (北京聯眾互動網絡股份有限公司)".

In 2012, Lianzhong explored the possibility of listing on a PRC stock exchange, and engaged Chinalion Securities to provide pre-listing tutoring. In September 2012, Chinalion Securities registered for record at the Beijing Bureau of the China Securities Regulatory Commission (the "CSRC") concerning such pre-listing tutoring. However, Lianzhong never submitted any formal application for listing to the CSRC. In December 2013, Lianzhong notified the CSRC that it had decided to pursue listing in Hong Kong instead and received no objection.

Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Ms Long and Tongshengcheng entered into the Concert Party Agreement on 22 February 2014, pursuant to which Mr Zhang, Mr Liu, Mr Shen, and Ms Long undertook to vote unanimously for any resolutions proposed at board and shareholders meetings of our Company and to vote unanimously for any resolutions of Lianzhong and confirmed that they had acted in concert in respect of their interests in the Company and Lianzhong since their acquisition of their equity interest. Mr Li Jianhua and Tongshengcheng had ceased to hold any equity interest in Lianzhong since 30 December 2013, but under the Concert Party Agreement, they confirmed that they had acted in concert with the Controlling Shareholders in respect of their interests in Lianzhong between their acquisition of their equity interests and 30 December 2013.

Shanghai Yaozhong

On 6 July 2012, Shanghai Yaozhong was incorporated as a limited company in China. As of the date of incorporation, the registered share capital was RMB2,000,000, of which 51% was contributed by Lianzhong and 49% was contributed by Shanghai Yaoji Playing Card Co., Ltd. (上海姚記撲克股份有限公司), an independent

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third party (save for its interest in Shanghai Yaozhong). The principal business activities of Shanghai Yaozhong are the promotion, advertisement and organisation of tournaments.

Shanghai Lianzhong

On 23 October 2013, Shanghai Lianzhong was incorporated as a limited company in China. As of the date of incorporation, the registered share capital of Shanghai Lianzhong was RMB10,000,000 and Lianzhong was the sole shareholder. The principal business activity of Shanghai Lianzhong is online games.

Lianzhong International

On 11 July 2011, Lianzhong International was incorporated as a limited company in the BVI. As of the date of incorporation, the authorised share capital of Lianzhong International was US\$100 and divided into 100 shares. The share capital of Lianzhong International was increased from US\$100 to US\$780,000 in 2012 and from US\$780,000 to US\$1,780,000 in 2013. Lianzhong is the sole shareholder of Lianzhong International. The principal business activity of Lianzhong International is investment holding and engaging in offshore operation.

Lianzhong Treasury Land

On 29 June 2012, Lianzhong Taiwan Company Limited was incorporated as a limited company in the BVI. On 27 August 2012, Lianzhong Taiwan Company Limited changed its name to Lianzhong Treasury Land Co., Ltd. As of the date of incorporation, the authorised share capital of Lianzhong Treasury Land was US\$100 and divided into 100 shares. Lianzhong International is the sole shareholder of Lianzhong Treasury Land. The principal business activity of Lianzhong Treasury Land is investment holding.

Lianzhong Shouyou

On 24 February 2014, Lianzhong Shouyou was incorporated as a limited company in China. As of the date of incorporation, the registered share capital of Lianzhong Shouyou was RMB5,000,000. Lianzhong is the sole shareholder of Lianzhong Shouyou. The principal business activity of Lianzhong Shouyou is mobile games operation.

Tianjin Zhangzhong

On 9 April 2014, Tianjin Zhangzhongshangku Technology Co., Ltd. (天津掌中尚酷科技有限公司) (“**Tianjin Zhangzhong**”) was incorporated as a limited company in China. As of the date of incorporation, the registered share capital of Tianjin Zhangzhong was RMB1,000,000. Shanghai Lianzhong is the sole shareholder of Tianjin Zhangzhong. The principal business activity of Tianjin Zhangzhong is mobile games development and operation.

Tianjin Wanlian

On 9 April 2014, Tianjin Wanlianshifang Technology Co., Ltd. (天津萬聯十方科技有限公司) (“**Tianjin Wanlian**”) was incorporated as a limited company in China. As of the date of incorporation, the registered share capital of Tianjin Wanlian was RMB1,000,000. Shanghai Lianzhong is the sole shareholder of Tianjin Wanlian. The principal business activity of Tianjin Wanlian is mobile games development and operation.

SAFE Circular 75

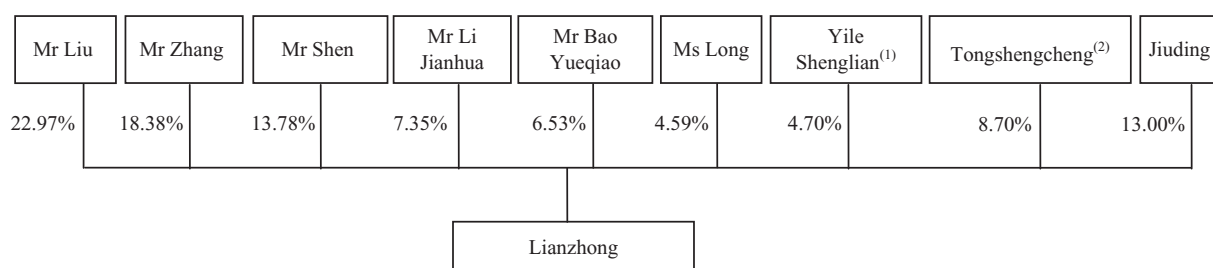
On 21 October 2005, SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Financing and Roundtrip Investment Through Offshore Special Purpose Vehicles (關於境內居民通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知) (“**Circular 75**”), which requires PRC residents to register with the local SAFE counterpart before incorporating or acquiring control of an

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

offshore special purpose vehicle, with assets or equity interests in an onshore company located in the PRC, for the purpose of offshore equity financing and to update or amend the registration upon any material change of shareholding or any other material capital alteration in such special purpose vehicle. Our PRC Legal Advisor has confirmed that each of Mr Liu, Mr Zhang, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan (collectively, the “**Founders**”), all of who are PRC residents and beneficial owners of our Company, has completed the SAFE registration in respect of his/her investment in our Group in accordance with PRC laws on 16 January 2014. On 12 February 2014, the Founders filed the alteration registration application documents to Beijing Branch of SAFE in respect of the change in their shareholdings in our Company as a result of the investment by the Pre-IPO Investors. Each Founder’s alteration registration was completed on 18 March 2014.

REORGANIZATION

In contemplation of the Global Offering, the entities comprising our Group underwent the Reorganization. The following chart shows our Group structure immediately before the Reorganization:



(1) A company incorporated in the PRC and wholly-owned by Ms Wu Lan.

(2) Tongshengcheng is a limited partnership enterprise incorporated in the PRC for the purpose of implementing an employee share incentive plan granted by the shareholders of Lianzhong. Employees of Lianzhong were awarded ownership interest of Tongshengcheng, which prior to the Reorganization, owned an equity interest in Lianzhong.

The following were the key steps in the Reorganization.

- | | |
|------------------|--|
| 4 December 2013 | Our Company was incorporated under the laws of the Cayman Islands as an exempted company with limited liability. |
| 18 December 2013 | Lianzhong Hong Kong, a direct wholly-owned subsidiary of our Company, was incorporated under the laws of Hong Kong. |
| 30 December 2013 | Tongshengcheng transferred its entire 8.7% interest in the issued share capital of Lianzhong to Mr Liu. |
| 30 December 2013 | Jiuding entered into an agreement to transfer its entire 13% interest in the issued share capital of Lianzhong to Mr Li Jianhua, Mr Liu, Mr Zhang, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan’s holding company, Yile Shenglian, in proportion to their existing shareholdings in Lianzhong, respectively, at a total consideration of RMB34,160,000 determined after arm’s length negotiations. |
| 30 December 2013 | Mr Li Jianhua entered into an agreement to transfer his entire interest, being approximately 8.57% of the issued share capital of Lianzhong (7.35% of which was held by Mr Li Jianhua prior to 30 December 2013 and 1.22% of which was acquired by Mr Li Jianhua from Jiuding on 30 December 2013) to Mr Zhang. The total consideration for the transfer was RMB12,083,582.62, which was determined after arm’s length negotiations. |

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Yile Shenglian entered into an agreement to transfer its entire interest, being 5.48% of the issued share capital of Lianzhong (4.70% of which was held by Yile Shenglian prior to 30 December 2013 and 0.78% of which was acquired by Yile Shenglian from Jiuding on 30 December 2013) to Ms Wu Lan. The total consideration for the transfer was RMB5,698,505, which was determined after arm's length negotiations. After these transfers, Lianzhong was held as to 35.49%, 30.00%, 16.07%, 7.61%, 5.36% and 5.47% by Mr Liu, Mr Zhang, Mr Shen, Mr Bao Yueqiao, Ms Long Qi and Ms Wu Lan.

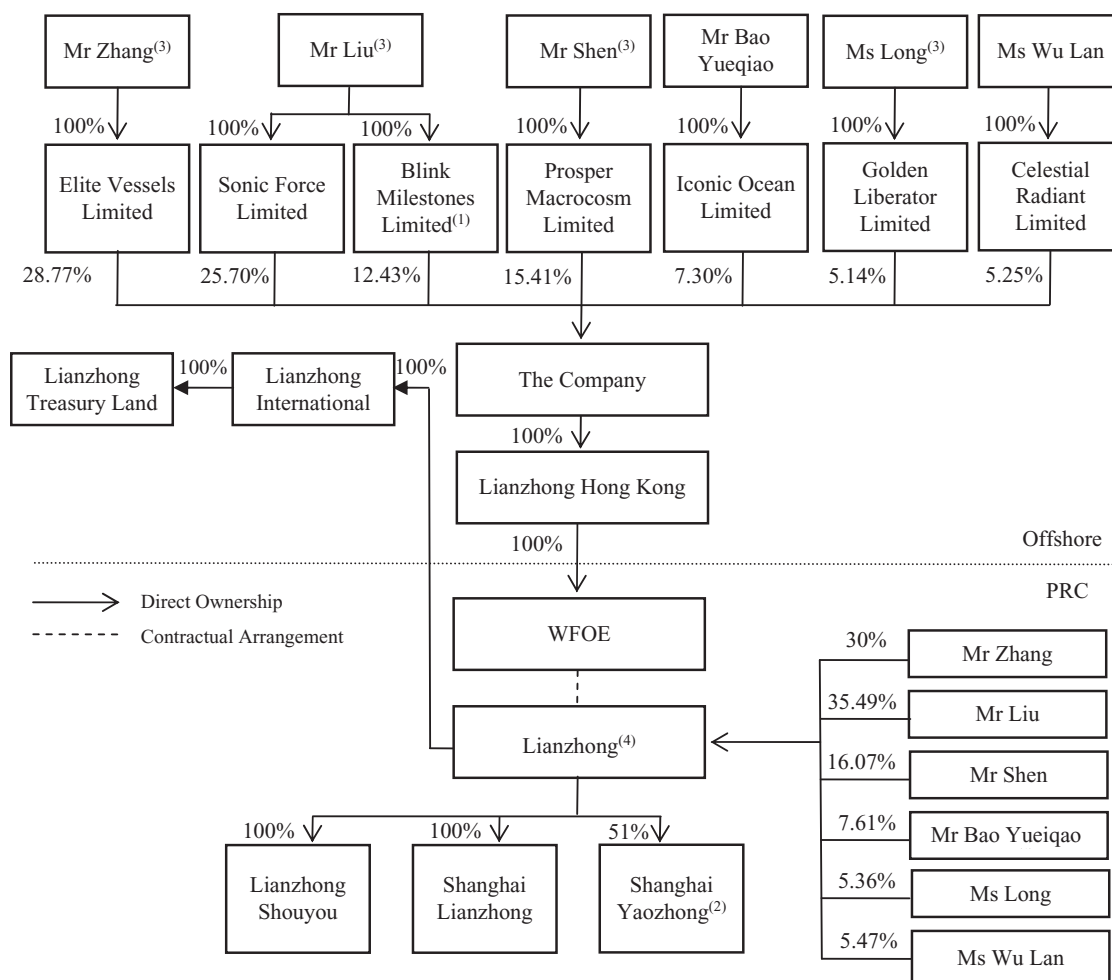
21 January 2014 The WFOE, a direct wholly-owned subsidiary of Lianzhong Hong Kong, was incorporated under the laws of the PRC.

28 January 2014 Lianzhong entered into the Contractual Arrangements with the WFOE.

Our PRC Legal Advisor is of the opinion that approvals from the relevant authorities have been obtained and the Reorganization complies with the relevant PRC Law.

Corporate and Shareholding Structure

The following chart illustrates our shareholding structure immediately following the completion of the Reorganization and prior to the investment by the Pre-IPO Investors:



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- (1) Mr Liu undertook that the 12.43% interest in the Company held by Blink Milestones Limited will be used to satisfy the exercise of options granted or to be granted by Mr Liu to the employees of the Group under the Employee Pre-IPO Share Option Scheme.
- (2) The remaining shares are held by Yaoji, an independent third party (save for its interest in Shanghai Yaozhong).
- (3) Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Ms Long and Tongshengcheng entered into the Concert Party Agreement on 22 February 2014, pursuant to which Mr Zhang, Mr Liu, Mr Shen, and Ms Long undertook to vote unanimously for any resolution proposed at board and shareholders meetings of our Company and Lianzhong.
- (4) Lianzhong currently holds 14.21% of the issued share capital of Beijing Linghegu Online Technology Co., Ltd (北京零禾穀網絡科技有限責任公司) (“**Beijing Linghegu**”). See the section headed “Major Acquisitions, Disposals and Mergers”.

PRE-IPO INVESTMENT

Pre-IPO Share Subscription Agreement

Name of Pre-IPO Investors:	CMC Ace Holdings Limited (“ CMC ”) and KongZhong Corporation (“ KongZhong ”)
Date of Pre-IPO Share Subscription Agreement:	31 January 2014
Number of shares subscribed for by the Pre-IPO Investors:	A total of 85,714,284 Series A Preferred Shares with par value of US\$0.00005 each, 57,142,856 of which were subscribed for by CMC and 28,571,428 of which were subscribed for by KongZhong, representing approximately 20.00% and 10.00%, respectively, of the then total issued share capital of our Company following the Pre-IPO Investment
Total consideration paid:	US\$49,140,049.14
Completion of the subscription and payment date of the consideration:	10 February 2014
Price per Series A Preferred Share subscribed:	US\$0.57330058 (equivalent to approximately HK\$4.44 prior to the Capitalisation Issue and approximately HK\$2.16 after the completion of the Capitalisation Issue)
Discount of price per Series A share subscribed to the IPO price	a discount of approximately 49.19% to the midpoint of the indicative Offer Price range of HK\$3.70 to HK\$4.80, on the basis of our enlarged share capital immediately upon completion of the Global Offering
Basis of determination of the consideration:	The consideration was determined with reference to the then financial performance of our Group and market comparables of other online game developer and provider and was based on arm’s length negotiations between our Group and the Pre-IPO Investors
Use of proceeds from the pre-IPO investment:	Substantially all of the proceeds (approximately RMB300 million) have been used for the payment of special dividends to Elite Vessels Limited, Sonic Force Limited, Prosper Macrocosm Limited, Iconic Ocean Limited, Golden Liberator Limited and Celestial Radiant Limited on a pro rata basis, and ultimately to the Founders. Of the remaining proceeds, approximately RMB24,000 has been credited to our Company’s share capital and approximately RMB3.5 million has been used to supplement our working capital
Strategic benefits the Pre-IPO Investors brought to our Company:	The Pre-IPO Investors provide our Company with capital contribution, management expertise and potential synergy in our Company’s business

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Shareholding of the Pre-IPO Investors in our Company immediately following the completion of the Global Offering: On the basis that all the Series A Preferred Shares are convertible into our Shares on a one-for-one basis, CMC and KongZhong shall hold approximately 15.00% and 7.50% of the total issued share capital of our Company, respectively (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which were granted under the Management Pre-IPO Share Option Scheme)

Information on the Pre-IPO Investors

CMC (an investment holding company incorporated in the Cayman Islands with limited liability) is a subsidiary of CMC Capital Partners, L.P. (an exempted limited partnership organised and existing under the laws of the Cayman Islands), which is an independent private equity fund focused on investing in the media and entertainment sectors in China and internationally, and the underlying beneficial owners of which include institutional investors and high net worth individuals. Other than in respect of CMC's shareholding interests in the Company, as disclosed in this prospectus, and its nomination of Mr Chen Xian as a Director, CMC and its ultimate beneficial owners are independent from our Group and any connected person of our Company.

KongZhong is a public company focusing on providing wireless value-added services, mobile games and internet games in the PRC. It was founded in 2002 and listed in the NASDAQ Stock Market in 2004. Other than Leilei Wang, KongZhong's chairman of its board of directors and chief executive officer, no other person beneficially owned more than 10% of KongZhong's ordinary shares as of the Latest Practicable Date. Other than the investment in our Group as disclosed in this prospectus, KongZhong and all beneficial owners of 5% or more of its ordinary shares are independent from our Group and our connected persons as of the Latest Practicable Date.

Since CMC will be holding more than 10% of the total issued share capital of our Company immediately following the completion of the Global Offering, the Shares held by CMC will not be counted as part of the public float for the purposes of Rule 8.08 of the Listing Rules.

Since KongZhong (i) is independent from the Company and its connected persons, (ii) did not acquire the Series A Preferred Shares with finance directly or indirectly from a connected person, and (iii) does not take instructions from our Company or our connected person in relation to the acquisition, disposal, voting or other disposition of the Series A Preferred Shares or the Shares, upon conversion, registered in its name, it will be regarded as a member of the public, and the Shares held by them should be regarded as being in public hands at and after the Listing pursuant to Rule 8.24 of the Listing Rules.

Series A Preferred Shares

The Series A Preferred Shares represent approximately 30% of the issued share capital of our Company as enlarged by the issue of the Series A Preferred Shares. The Series A Preferred Shares are convertible into our Shares on a one-for-one basis. The holders of Series A Preferred Shares may vote at general meetings of the Company in the same manner as holders of ordinary shares on an as-converted basis and not as a separate class.

Dividends

When the Board makes a declaration of dividends out of the profits of the Company, CMC and KongZhong will be entitled to be paid 40% and 20%, respectively, of such dividends (collectively, the "**Investors Preference Amount**"), and the Founders will be entitled to be paid 40% of such dividends on a pro rata basis (the "**Founders Preference Amount**", and together with the Investors Preference Amount, the "**Aggregate Preference Amount**"), until the date when the aggregate Investors Preference Amount actually distributed equals the aggregate subscription price paid by the Pre-IPO Investors for the Series A Preferred Shares. When the

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Aggregate Preference Amount actually distributed reaches RMB500 million, declared dividends will be distributed to the holders of ordinary shares and Series A Preferred Shares on a pro rata and as-converted basis. Such dividend rights will be terminated upon conversion of the Series A Preferred Shares into Shares upon the Global Offering.

Conversion

All Series A Preferred Shares will be converted into our Shares upon the Global Offering becoming unconditional.

Special Rights

The holders of Series A Preferred Shares have been granted the following rights, each of which will terminate upon the Listing when all the Series A Preferred Shares will be automatically converted into Shares.

Right to elect director and participation in Board and Board committee

Pursuant to the shareholders agreement dated 31 January 2014 entered into among our Company, the WFOE, Lianzhong, Elite Vessels Limited, Sonic Force Limited, Blink Milestones Limited, Prosper Macrocosm Limited, Iconic Ocean Limited, Golden Liberator Limited, Celestial Radiant Limited, the Founders and the Pre-IPO Investors (the “**Shareholders Agreement**”), each Pre-IPO Investor shall be entitled to appoint one Director (each an “**Investor Director**” and collectively the “**Investor Directors**”) and shall have the exclusive right to remove and replace such Investor Director. The quorum for a meeting of the Board of our Company shall be four Directors, including both Investor Directors. In the absence of a valid quorum at a meeting of the Board duly convened due to the absence of any Investor Director, such meeting of the Board shall be adjourned to the same time and place five business days thereafter and any four Directors attending such adjourned meeting shall constitute a valid quorum. The Investor Directors appointed to the Board will remain Directors of our Company upon Listing and will be subject to retirement by rotation according to our Articles after Listing.

Information rights

Pursuant to the Shareholders Agreement, the Pre-IPO Investors shall have the right to receive certain financial statements of and other information about our Company.

Veto rights

Pursuant to the Shareholders Agreement, there are certain matters which would require the approval of each of the Pre-IPO Investors, including, among others,

- any alteration or amendment to the charter documents of any member of our Group;
- any alteration or change to the rights, preferences or privileges of the Series A Preferred Shares or creation of any new class or series of equity securities having rights, preferences or privileges senior to or on a parity with the Series A Preferred Shares;
- any increase, change, cancellation or decrease of the issued share capital or registered capital of any member of our Group or the issuance of options or other securities convertible or exchangeable for the share capital or registered capital of any member of our Group (except, subject to certain conditions, the issuance of a certain number of options for the purpose of incentivizing the senior management of the Group);
- any redemption or repurchase of any shares or share equivalents by the Company or any other equity securities by any member of the Group; or

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- winding up, termination or liquidation of any member of our Group, appointment of a receiver, manager or judicial manager or like officer, or any merger, separation, spin-off, change of company form or combination with any other economic organisation undertaken by any member of our Group.

In addition, there are certain matters which would require the approval of each Investor Director, including, among others,

- approval of or material amendment to the development plan, business plan or any annual budget of any member of the Group;
- change in the nature or scope of the business of any member of the Group or establishment of any business outside of the PRC;
- any initial public offering of any equity securities of any member of the Group;
- disposal of major business, major assets or control of any member of the Group;
- change in the constitution of the board of directors or its committees of any member of the Group;
- appointment, removal and compensation of Mr Yang Eric Qing and Mr Ng Kwok Leung Frank; and
- any declaration of payment of any dividends or other distributions.

Put right

Each Pre-IPO Investor has the right to require Elite Vessels Limited, Sonic Force Limited, Blink Milestones Limited, Prosper Macrocism Limited, Iconic Ocean Limited, Golden Liberator Limited, Celestial Radiant Limited and the Founders to jointly and severally purchase all or part of the Series A Preferred Shares then outstanding and held by the Pre-IPO Investor at a price equal to the aggregate of the subscription price paid by the it plus an amount that would provide it with an internal rate of return of 12% per annum, in the event of the occurrence of (a) a Qualified IPO not occurring within 24 months from 7 February 2014 (the “**Completion Date**”), or (b) any of the following events that would, in the reasonable opinion of the Pre-IPO Investors after having consulted with their respective professional advisers, render a Qualified IPO incapable of being consummated within twenty four (24) months after the Completion Date: (i) the Company or the Founders breach certain covenants in the Shareholders Agreement or the Pre-IPO Share Subscription Agreement relating to the rights of the Pre-IPO Investors; (ii) the WFOE, Lianzhong or its shareholders breach any of the Contractual Arrangements; or (iii) the resignation or dismissal of Mr Yang Eric Qing and Mr Ng Kwok Leung Frank.

We have undertaken to the Stock Exchange that we will not re-file a listing application within 180 days of any of the circumstances giving rise to the Pre-IPO Investors’ put rights arising.

Pre-emption right

Each Pre-IPO Investor has the right of first refusal to purchase, on a pro rata basis, new securities issued by our Company from time to time.

Right of first refusal

If any shareholder proposes to sell any equity securities of our Company (the “**Offered Shares**”) to any third parties, each Pre-IPO Investor has a right of first refusal to purchase all or any portion of its respective pro rata share of the Offered Shares.

Co-sale right

To the extent that Pre-IPO Investors do not exercise their respective rights of first refusal as to all of the Offered Shares, each Pre-IPO Investor has the right to participate in such sale to the same third parties on the same terms and conditions.

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Most favourable treatment

If our Company completes a future financing with terms more favourable (“**More Favourable Terms**”) to any other investor than to the Pre-IPO Investors, the Pre-IPO Investors will have the right to acquire such More Favourable Terms and have them apply to the Series A Preferred Shares and the purchase thereof.

Profit Guarantee

Where a Qualified IPO has been completed and the Shares get listed by the end of 2014, in the event that the Actual 2014 Net Profit After Tax (as defined below) is less than RMB80 million, at any time after the delivery of the audited accounts of our Group for the year ended 31 December 2014 to the Pre-IPO Investors, each Pre-IPO Investor may, at its sole discretion, elect to require the Founders or Elite Vessels Limited, Sonic Force Limited, Blink Milestones Limited, Prosper Macrocosm Limited, Iconic Ocean Limited, Golden Liberator Limited and Celestial Radiant Limited, jointly and severally, to pay a Profit Guarantee Amount (as defined below) to such Pre-IPO Investor by providing a written demand (“**Demand Notice**”).

“**Actual 2014 Net Profit After Tax**” shall be computed by the sum of (a) the net profit after tax of our Group for the year ended 31 December 2014, and adding back (b) share-based compensation expenses and any IPO expenses, which are actually incurred by the Company and recognized as expenses in the profit and loss statements during the year ended 31 December 2014 and deducting (c) income and expenses of the Group through or as a result of mergers and acquisitions, or other exceptional, extraordinary or non-recurring items.

The “**Profit Guarantee Amount**” shall equal to, (i) for CMC, $(20\%) \times 10 \times$ (US Dollar equivalent of RMB80 million as of the Demand Notice date — Actual 2014 Net Profit After Tax); and (ii) for KongZhong, $(10\%) \times 10 \times$ (US Dollar equivalent of RMB80 million as of the Demand Notice date — Actual 2014 Net Profit After Tax).

If our Company has not completed a Qualified IPO and the Actual 2014 Net Profit After Tax for the year ended 31 December 2014 is less than RMB100 million, each Pre-IPO Investor also has the right to require the Founders and the shareholders of the Company, which are controlled by the Founders, to (i) transfer an agreed upon number of ordinary shares to the Pre-IPO Investors at par value or (ii) pay the Pre-IPO Investor an agreed upon amount of cash or (iii) effect a combination of (i) and (ii).

The profit guarantee described above was given by the Founders and their wholly-owned BVI holding companies only, and the Pre-IPO Investors will not have any recourse against our Company. Nor will the Founders and their wholly-owned BVI holding companies have any recourse against our Company with respect to the profit guarantee.

Supplemental Agreement

The parties to the Shareholders Agreement entered into a letter agreement dated 13 March 2014, effective as of 31 January 2014, to confirm and reflect their mutual understanding with respect to certain terms set out in the Shareholders Agreement. In particular, it was clarified that (i) the put right shall only be exercisable in the circumstances described above, (ii) there shall be no limit on the amount of share-based compensation expenses for the purpose of calculating the “Actual 2014 Net Profit After Tax” (as defined above), and (iii) the Pre-IPO Investors will have the right to have the terms of their investment adjusted only if any additional securities of the Company are issued to investors other than the Pre-IPO Investors at a value that is below the market value of such securities. The market value of such securities is to be measured by an independent professional valuer (the appointment of which is subject to the consent of the Pre-IPO Investors) and determined in accordance with International Financial Reporting Standards, including International Accounting Standard 39, which sets out the requirements in relation to the recognition and measurement of financial instruments. The letter only served to clarify mutual understandings with respect to the Shareholders Agreement. As such, it constituted an amendment to the Shareholders Agreement but did not constitute a new agreement and is consistent with the Stock Exchange’s Interim Guidance on Pre-IPO Investments.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Lock-up

The Pre-IPO Investors have undertaken to us that, on or before 31 December 2014, at any time after which the Stock Exchange has acknowledged receipt of the Company's listing application (the "Investor Lock-Up Trigger") and as long as such listing application was not subsequently returned by the Stock Exchange, without the prior approval of the Company in writing, each of the Pre-IPO Investors shall not directly or indirectly transfer any Series A Preferred Shares held by it until the earlier of (a) the date that is 6 months after the Investor Lock-Up Trigger, (b) 31 October 2014, (c) the date on which the Board has resolved to revoke or rescind such listing application or (d) the Stock Exchange has officially returned the listing application of the Company.

Confirmation from the Sole Sponsor

The Sole Sponsor has confirmed that the investment by the Pre-IPO Investors is in compliance with the Interim Guidance on Pre-IPO Investments issued on 13 October 2010 by the Stock Exchange, the Guidance Letter HKEx-GL43-12 issued in October 2012 and updated in July 2013 by the Stock Exchange and the Guidance Letter HKEx-GL44-12 issued in October 2012 by the Stock Exchange.

Termination of special rights upon listing

The Pre-IPO Share Subscription Agreement and all the special rights given to CMC and KongZhong under it (save for the profit guarantee as described above) will terminate upon the earlier of (a) the Listing; (b) termination by operations of law; or (c) termination by mutual agreement of all the parties to the Pre-IPO Share Subscription Agreement from time to time.

MAJOR ACQUISITIONS, DISPOSALS AND MERGERS

Beijing Lianzhong Network Technology Company Limited (北京聯眾網絡技術有限責任公司)

On 25 October 2011, Lianzhong merged with Beijing Lianzhong Network Technology Company Limited (北京聯眾網絡技術有限責任公司), a wholly-owned subsidiary of Lianzhong at that time. All the tangible assets, intellectual properties, investments and other assets were transferred to Lianzhong, as the surviving entity. No consideration was paid for this merger. The PRC Legal Advisor is of the view that such merger has been properly and legally completed and all the necessary approvals have been obtained.

Beijing Linghegu

Lianzhong acquired a 15.97% interest in Beijing Linghegu Online Technology Co., Ltd. (北京零禾穀網絡科技有限責任公司) ("Beijing Linghegu"), a limited company incorporated in the PRC in December 2012 and a further 3.51% interest in May 2013 through participating in a capital injection, at a consideration of RMB5,000,000 and RMB2,000,000 respectively which settled on 29 October 2012 and 22 May 2013 and which are determined after arm's length negotiation. The registered capital of Beijing Linghegu was increased twice in August 2013 and November 2013 to RMB1,142,857.14. As of the Latest Practicable Date, Lianzhong held 14.21% of the issued share capital of Beijing Linghegu. The other shareholders of Beijing Linghegu are Gao Jinliang, Liang Rong, Lv Sujun, Xu Dan, Yu Lipei, Shenzhen Litong Industry Investment Funds Co., Ltd. (深圳市利通產業投資基金有限公司) and Shenzhen Shiji Kaihua Investment Funds Co., Ltd. (深圳市世紀凱華投資基金有限公司), all of which are independent third parties. The principal business activity of Beijing Linghegu is mobile game development. The PRC Legal Advisor is of the view that such acquisition has been properly and legally completed and all the necessary approvals have been obtained.

PRE IPO SHARE OPTIONS

Please refer to Appendix IV "Statutory and General Information" for details on our Pre-IPO Share Option Schemes.

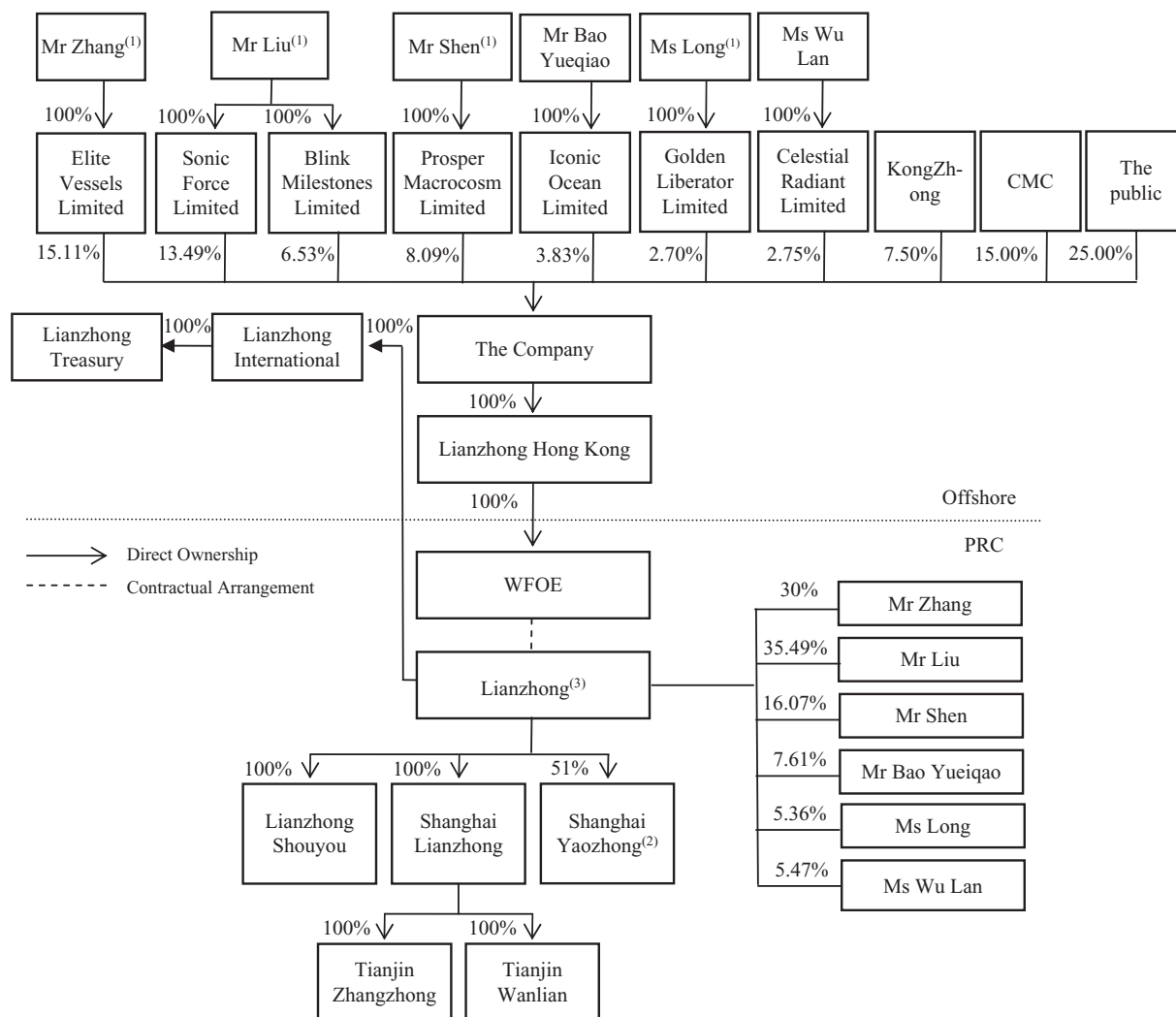
HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

CAPITALIZATION ISSUE

Pursuant to the resolutions of our Shareholders passed on 12 June 2014, the Directors are authorised to allot and issue a total of 211,600,000 ordinary shares and 90,685,716 Series A Preferred Shares by way of capitalisation of the sum of US\$15,114.29 standing to the credit of the share premium account of the Company, credited as fully paid at par to the Shareholders as appearing on the register of members of the Company on the date of the Prospectus, and the shares to be allotted and issued pursuant to this resolution shall rank pari passu in all respects with the existing issued shares of the same category.

SHAREHOLDING STRUCTURE UPON COMPLETION OF THE GLOBAL OFFERING

The following chart illustrates our shareholding structure immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be transferred on issued (as the case may be) upon the exercise of the options which were granted under the Management Pre-IPO Share Option Scheme):



(1) Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Ms Long and Tongshengcheng entered into the Concert Party Agreement on 22 February 2014, pursuant to which Mr Zhang, Mr Liu, Mr Shen, and Ms Long undertook to vote unanimously for any resolution proposed at board and shareholders meetings of our Company and Lianzhong.

(2) The remaining shares are held by Yaoji, an independent third party (save for its interest in Shanghai Yaozhong).

(3) As of the Latest Practicable Date, Lianzhong held 14.21% of the issued share capital of Beijing Linghegu. See the section headed "Major Acquisitions, Disposals and Mergers".

OVERVIEW

We have an integrated online game platform, offering both PC and mobile games through multiple distribution channels. Our proprietary one-stop PC client portal, Ourgame Hall (聯眾大廳), offers over 200 games, including approximately 40 types of card games, over 25 variations of Mahjong, 20 board games, over 10 licensed and third-party operated MMOGs and a number of other casual games. Players can also play our web games on our own websites, ourgame.com and lianzhong.com, and through approximately 30 third-party distributors, including popular internet portals in China such as Baidu, Sina Weibo and Qihoo 360. Our flagship PC games, *Tiantian Fight the Landlord* (天天鬥地主,) and *Poker World* (our Texas Hold'em PC game), are each a self-contained package offering a series of online games and tournaments as well as many social and other supporting features. Furthermore, we have an expanding portfolio of mobile games for both Google's Android and Apple's iOS operating systems, distributed through a number of third-party channels. Our integrated online game platform is supported by universal user IDs. A player can use the same ID to play substantially all of our games on different PCs and mobile devices. We have a universal PC virtual game point system that supports over 20 PC games. These games accounted for over two-thirds of our total revenue from PC games in 2013. We believe that these platform-wide features help us increase player stickiness, effectively promote new games to existing players and convert non-paying players to paying players.

We derive our revenue primarily from online games under three operation models, namely, self-developed games, licensed games and third-party operated games. Substantially all of our games are self-developed. Distributing third-party operated games, which are non-card-and-board games, allows us to monetize a broader range of our player base. However, as these games may also compete for players with our self-developed games, we increasingly prioritized promotion of our self-developed games during the Track Record Period. As a result, the percentage of our revenue contributed by self-developed games increased from 59.0% in 2011 to 80.2% in 2013 and further to 84.7% in the first three months of 2014, whereas the percentage of our revenue contributed by third-party operated games decreased from 26.5% in 2011 to 6.2% in 2013 and was 7.3% in the first three months of 2014, and the percentage of our revenue contributed by licensed games also declined from 13.2% in 2011 to 9.4% in 2013 and further to 7.0% in the first three months of 2014. During the Track Record Period, we also increasingly focused on the development and operation of mobile games, substantially all of which were self-developed games. The percentage of our revenue contributed by mobile games increased from 2.5% in 2011 to 6.6% in 2013 and further to 18.6% in the first three months of 2014.

One aspect of our business that we believe differentiates us from our competitors is our integration of online card and board games and large-scale, officially sanctioned offline tournaments. For example, in 2012, we organised the first Texas Hold'em tournament in China authorised by the World Poker Tour. In the run-up to the championship event in Sanya, Hainan, we held qualification competitions on our online game platform through all our major PC channels, attracting over 500,000 entries (including repeated entries by the same player account, “**player sessions**”). We expanded the scale of the Sanya World Poker Tour event in 2013 and have obtained a five-year permit through 2017 from the Sanya government to make it a regular annual event. We are set to organise additional offline tournaments in 2014, including the prestigious World Bridge Series Championships in Sanya. These combined online and offline events serve as an important promotional tool for us to attract new players to our online game platform. We believe that these combined online and offline events also help to further enhance our reputation as the card and board game expert in China and to solidify our influence and leadership position in the card and board game industry in China.

We are a pioneer of online card and board games in China. Among the top online game providers in China, we were the first company to have a dedicated online card and board game business. Since our inception in 1998, we have capitalised on our early-mover advantage to build a highly recognisable online card and board game brand in China and accumulated a massive user base. As of 31 March 2014, we had 396,496,878 cumulative registered players for our PC games and 51,400,857 cumulative registered players for our mobile games. In 2012, the State Administration for Industry and Commerce awarded our trademark “Ourgame Club” (“聯眾俱樂部”) the title of

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“China Famous Trade Mark”, which validates its status as a well-known brand in the online game industry. We believe that our strong brand provides us with substantial advantages in attracting new players to our games, establishing business relationships with third-party game distribution channels and organising large-scale combined online and offline events to promote our online games.

We have a balanced portfolio of over 200 online games. A substantial number of these games are classic card and board games with long history in the real world and long product lifespans. Furthermore, we do not rely on any single game category to build our player base and generate revenue. During the Track Record Period, no single game category accounted for more than one-third of our total revenue. We are able to accommodate the different traditions and preferences of players around different parts of China by developing various regional variations to popular card and board games. We have also been developing variations to classic games with innovative rules and elements, such as a two-player version of Mahjong and a single-player level-clearance mode of Fight the Landlord. We monetize our games primarily by offering virtual goods such as personalised avatars. Substantially all our games are free to play, which helps us attract a large overall player base. We give our players a limited number of virtual game points on a regular basis for basic game play. Players who desire enhanced playing experience may purchase our virtual currencies which can be used to exchange for our virtual goods. Some of these virtual goods come with a certain number of virtual game points free of charge. Paying members enjoy various privileges, such as opening private game rooms and prioritised customer service.

We have made significant investment in research and development, and as a result we have laid a solid technological foundation for efficient and innovative game development. We have built a comprehensive library of shared service components that can be readily utilised by multiple games, and our open software development kits (“SDKs”) allow us to develop and upgrade games for multiple operating systems and distribution channels without separate development cycles. We have achieved solid understandings of player behaviours and artificial intelligence (“AI”) algorithms for many card and board games, which helps us continuously improve our existing games and create innovative games. Our advanced data analytics system enables us to track and analyse players’ various playing and consumption activities, and helps us design carefully tailored strategies to expand our player base and increase ARPPU.

Our business grew rapidly during the Track Record Period. The average MAUs for our PC games increased from 4.8 million in 2011 to 9.9 million in 2013 and amounted to 9.8 million in the first quarter of 2014. Our mobile player base expanded particularly significantly since we launched our first mobile game for smart mobile devices in January 2011. The combined average MAUs for our top three mobile games increased from 7.9 million in the first quarter of 2013 to 14.1 million in the first quarter of 2014. For the year ended 31 December 2013 and the three months ended 31 March 2014, the average MAUs for our top three mobile games exceeded the average MAUs for our PC games. During the Track Record Period, our revenue increased from RMB153.9 million in 2011 to RMB236.3 million in 2013, representing a CAGR of 23.9%, and increased by 101.3% from RMB46.2 million in the three months ended 31 March 2013 to RMB93.0 million in the three months ended 31 March 2014; and our net profit increased from RMB26.5 million in 2011 to RMB40.5 million in 2013, representing a CAGR of 23.5%, and increased from RMB1.8 million in the three months ended 31 March 2013 to RMB21.6 million in the three months ended 31 March 2014.

OUR STRENGTHS

We believe that the following strengths provide us with competitive advantages and differentiate us from our competitors:

Leading Online Card and Board Game Platform in China

We are a leading online card and board game developer and operator in China with a strong brand and leading expertise in integrated online and offline operations. According to the Analysys Report, we are the second largest online card and board game operator in China as measured by the number of online card and board games offered

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as of 31 December 2013. According to the Analysys Report, we ranked third among online game companies as measured by revenue derived from the PRC online card and board game market in 2013⁽¹⁾.

We have built an integrated online game platform with multiple PC and mobile distribution channels. Key features of our game platform include:

- *Ourgame Hall — Our Proprietary PC Client Portal.* Ourgame Hall is our proprietary one-stop PC client portal which distributes over 200 games, including our self-developed games and games licensed from or operated by third parties. With average MAUs of 6.7 million in 2013, Ourgame Hall was the second most popular PC client portal in China focusing on card and board games, according to the Analysys Report.
- *Multiple Access Points Supported by Universal User IDs.* Players can enter our integrated online game platform from multiple access points, including Ourgame Hall, ourgame.com, lianzhong.com, approximately 30 PC game distribution channels such as Baidu, Sina Weibo and Qihoo 360, and a number of mobile game distribution channels such as China Mobile, 360 Mobile Assistant, Google Play and Apple's App Store. After a player has registered an Ourgame account, the player can then use the same user ID to play substantially all of our games on multiple PCs and mobile devices.
- *Universal Virtual Game Points.* Our cohesive platform is further bolstered by our universal virtual game points. For example, players can use our universal PC virtual game points in over 20 PC games. These games accounted for over two-thirds of our total revenue derived from PC games in 2013. Such universal virtual game points enhance the effectiveness of cross-promotion between our games. Our paying players can freely switch between different games that use the same virtual game point system, which helps us attract existing paying players to our newly developed games. We believe that, for our new games, our universal virtual game points enable us to build up a critical mass of paying players and start generating substantial revenue within a relatively short time period. They also help to facilitate the conversion of non-paying players to paying players, as players would not need to worry about their payments being locked into any particular game that they might stop playing in the future.
- *Clusters of Games.* In addition to our Ourgame Hall, our web and mobile versions of *Tiantian Fight the Landlord* and *Poker World* are more akin to mini-portals than standalone games. Upon entering the game suite, players can play in different levels of game rooms and enter various tournaments, and they can purchase our virtual currencies and exchange them for our virtual goods. Clustering a series of games and a full set of features into a packaged web or mobile application helps to attract a broad range of players, increase player stickiness and enhance player monetization.

The number of our active users grew rapidly in the Track Record Period. The average MAUs for our PC games increased from 4.8 million in 2011 to 9.9 million in 2013 and amounted to 9.8 million in the first quarter of 2014, and the combined average MAUs for our top three mobile games increased from 7.9 million in the first quarter of 2013 to 14.1 million in the first quarter of 2014. We believe that our integrated platform will help us cultivate similar loyalty in our fast growing player base of web and mobile games. Furthermore, according to the Analysys Report, compared to the overall Chinese card and board game player base, our players tend to be better educated and are more likely to be working professionals. Compared to the overall Chinese card and board game player base, we also have a substantially higher percentage of players between the ages of 25 and 40, who tend to have stable disposable incomes. Due to our established brand and integration of online and offline tournaments, we have attracted many highly skilled players in poker, Bridge, Chinese Chess, Four-Party Military Chess and other card and board games. In line with the growth in our player base, our revenue also increased rapidly in the Track Record Period, from RMB153.9 million in 2011 to RMB236.3 million in 2013, representing a CAGR of 23.9%, and increased by 101.3% from RMB46.2 million in the three months ended 31 March 2013 to RMB93.0 million in the three months ended 31 March 2014. In particular, our revenue derived from mobile games increased from RMB3.8 million in 2011 to RMB15.6 million in 2013, representing a CAGR of 102.0%, and increased from RMB0.9 million in the three months ended 31 March 2013 to RMB17.3 million in the three months ended

⁽¹⁾ Revenue from simplified Chinese card and board game versions is used to estimate the revenue derived from the PRC online card and board game market for some industry participants under analysis. Please refer to the section headed "Industry Overview — Competitive Landscape in the Online Card and Board Game Industry in the PRC" of this prospectus.

31 March 2014. As we shift our main focus from growing our mobile player base to enhancing mobile monetization, we expect to continue to experience strong growth in our mobile revenue.

Growing Combined Online and Offline Tournaments Which Creates Business Synergy with Online Platform

We have integrated online card and board games with officially sanctioned, large-scale combined online and offline tournaments. In the real world, card and board games are among the favourite pastimes in China, popular across a broad range of geographic regions and demographic groups. According to the Analysys Report, the total PC card and board game player base in China was 209 million in 2013 and was projected to grow by approximately 5% annually in the following three years, and the total mobile card and board game player base in China was 140 million in 2013 and was projected to grow by over 25% annually in the following three years. We believe that our combined online and offline events, helped by publicity through both traditional and internet media outlets, are an effective and economical way to channel offline card and board game players to our online game platform. With the continuing rapid penetration of internet access and smart mobile devices in China, offline card and board game players who are already familiar with game rules can quickly start playing our online games once they are drawn to our brand and platform.

Our combined online and offline events are an important marketing tool for promoting our online games. We hold qualification competitions on our online game platform to select players for most of our offline tournaments. In addition to attracting new players, our offline events also promote involvement and loyalty in our existing players, as they generate more excitement and give players more variety in their playing experience. Furthermore, the success of our combined online and offline events attests to our influence and leadership position in the Chinese card and board game business. We believe that the future expansion of our combined online and offline events will further elevate our reputation as a card and board game expert in China.

We have successfully organised a number of high-profile combined online and offline tournaments. In December 2012, with authorisation of the World Poker Tour, we successfully organised the first ever World Poker Tour Texas Hold'em tournament in China. The tournament, known as WPT National China, was held in Sanya, Hainan and was co-sponsored by the Sanya government. We recorded over 500,000 player sessions during our online qualifying competitions, and the offline event was contested by over 1,000 players, including more than 50 players from outside the PRC. We expanded the scale of WPT National China in 2013. We recorded over 1.2 million player sessions during our online qualifying competitions, and over 3,000 players, including over 100 players from outside the PRC, entered the offline event. With a five-year permit through 2017 from the Sanya government and a brand licensing contract with the World Poker Tour through July 2017, we plan to make WPT National China a regular annual event. In addition, we have recently entered into an agreement with the World Poker Tour to host a new series of poker tournaments, the WPT Dragon Series, in Asia and other locations outside China.

In 2012, we partnered with Shanghai Yaoji Playing Card Co. Ltd. (“**Yaoji**”), a well-known playing card manufacturer in China, to launch the first season of Fight the Landlord Gold League. The tournament spanned over five months and we recorded over 10 million player sessions during our online qualifying competitions. The semifinal competitions were carried out both online and as game shows broadcast by four provincial TV networks in China with a cumulative viewership of over 86 million. The Gold League was renewed for a second season in 2013 and was ongoing as of the Latest Practicable Date.

We plan to continue to host major combined online and offline tournaments in 2014. In particular, we have been entrusted by the World Bridge Federation and the General Administration of Sport of China as a co-organiser of the 14th World Bridge Series Championships to take place in Sanya in October 2014. These Championships, organised by the World Bridge Federation and to be held in Asia for the first time, are the most prestigious international open-team Bridge tournament.

We believe that, through these headline events, we will be able to further strengthen our reputation as a trusted brand and a trusted partner in the card and board game business, and we will accumulate additional know-how and solidify our early-mover advantage in operating high-profile combined online and offline events.

Comprehensive Portfolio of Long-lifespan Games Supported by an Integrated Platform

We have an extensive portfolio of over 200 online games, with a substantial number falling into classic card and board game categories. Through Ourgame Hall, we offer a large variety of games, including about 40 types of card games, over 25 variations of Mahjong, 20 board games, over 10 licensed and third-party operated MMOGs and a number of other casual games. Our most popular game categories, Fight the Landlord, Mahjong and Texas Hold'em, are available in both PC and mobile forms and through multiple distribution channels, and players can play them anywhere, anytime, on both PCs and mobile devices. We are able to accommodate the different traditions and preferences of players around different parts of China. Some of our game categories, such as Mahjong and Fight the Landlord, are anchored by a flagship version and supplemented by a number of variations applying regional game rules. We have also been introducing variations to classic games with innovative rules and elements, such as a two-player version of Mahjong and a single-player level-clearance mode of Fight the Landlord.

Most of our card and board games, including our most profitable game categories, Texas Hold'em, Mahjong and Fight the Landlord, have long history in the real world. Online versions of these games also have long product lifespans. For example, we first launched our Fight the Landlord game over 12 years ago, and this game category continued to grow rapidly during the Track Record Period, with average PC MAUs increasing from 0.9 million in 2011 to 3.2 million in 2013 and further to 3.4 million in the first quarter of 2014, and average mobile MAUs increasing from 6.6 million in the first quarter of 2013 to 11.8 million in the first quarter of 2014.

Furthermore, we do not rely on any single game category to build our player base and generate revenues. During the Track Record Period, no single game category accounted for more than one-third of our total revenue. We believe that with our balanced portfolio of long-lifespan games we are less susceptible to fluctuations in the popularity of any particular game or game category, which builds the foundation for steady growth in the future.

Our strong integrated platform connects our extensive online games into a cohesive portfolio. A player can use a universal user ID to play substantially all our games on different PCs and mobile devices. Our multi-game virtual game points and other virtual goods are linked to a player's account and can be used in multiple games. All these platform-wide features help to enhance playing experience, create and sustain player loyalty and encourage long-term engagement with our platform. They also promote emulation of high-status players and help to facilitate the conversion of non-paying players to paying players.

Strong Brand in Online Card and Board Games Well Positioning Us for Business Expansion

Since our inception in 1998, we have capitalised on our early-mover advantage to build a leading online card and board game brand in China. Our brand "Lianzhong" ("聯眾") is highly recognised in China and widely regarded as one of the top brands for online card and board games. In 2012, the State Administration for Industry and Commerce awarded our trademark "Ourgame Club" ("聯眾俱樂部") the title of "China Famous Trade Mark", which validates its status as a well-known brand in the online game industry. Such recognition required proof that our trademark was well known and reputable among the relevant public, and it gives our trademark enhanced protection by state and local administrations for industry and commerce as well as other government authorities in China. We have received many well regarded awards from government agencies and industry organisations. For example, in recent years, our online game platform received several top awards at the China Game Industry Annual Conference which was organised by the Publishers Association of China. In both 2009 and 2010, our platform was named a Best Casual Online Game Operation Platform (Website), and in both 2012 and 2013, our platform was named a China Top Ten Game Operation Platform. We have also received various government

subsidies primarily in support of our research and development projects. For example, the Administrative Committee of Zhongguancun Haidian Science Park awarded us a subsidy of RMB1.0 million in 2013 in support of our cloud-based game open platform project.

Our brand is one of our most valuable assets. We believe that it provides us with significant advantages in multiple areas and differentiates us from our competitors. Because of our proven track record of operating engaging online card and board games, when we launch a new game in the marketplace, potential players may associate it with the level of quality that they have seen in our other games. Thus, our brand can help our new games attract crucial initial player interest and give these games the opportunity to build player following with their inherent merits. Our established brand name and market position have also helped us to more easily develop strategic partnerships. For example, we have distribution arrangements with a number of high-traffic internet portals including Baidu, Sina Weibo and Qihoo 360, as well as with major mobile carriers including China Mobile. In May 2014, we entered into framework agreements with a company affiliated with the General Administration of Sport of China regarding our exclusive cooperation in Texas Hold'em, Bridge and five major board games. Furthermore, our reputation as a leader of card and board games in China has enabled us to successfully branch out into organising high profile combined online and offline events. Without this reputation, we might not have been able to gain endorsements by high-profile sports organisations such as the World Poker Tour. More importantly, our reputation has helped us to gain the trust of various government authorities, whose support has been crucial for the success of our major combined online and offline events. Our brand image has also enabled us to attract other leading businesses to sponsor our online and offline events. For example, the WPT National China tournaments in 2012 and 2013 were sponsored by a number of well-known brands including the Industrial and Commercial Bank of China ("ICBC"), Red Bull and China Resources.

Strong In-House Game Development and Operation Expertise

We have made significant investments in research and development, and as a result we have laid a solid technological foundation for efficient and innovative game development. We have built a comprehensive library of shared service components that can be readily utilised by our large portfolio of games. These shared components include the technical backbone such as account management, billing, security, advertising engines and tournament engines, as well as front-end add-ons such as chatting tools, avatars, bags and customer service. Not only do these shared components increase the efficiency and reduce the costs of game development, they also ensure that our players will experience consistent and high-quality gameplay and services.

Our technology infrastructure also helps us to integrate multiple distribution channels into a connected platform. With our open SDKs, we can develop new games and upgrade existing games in a streamlined manner and deploy them to different operating systems and distribution channels without separate development cycles. We have devoted significant efforts to building a cloud-based open platform which gives our customers a seamless playing experience across multiple channels. A player can use the same user account on multiple PCs and mobile devices. Our game servers are capable of matching players from different channels. For example, web game players and mobile game players can play against each other at the same Texas Hold'em table.

Through years of research and live implementation, we have achieved solid understandings of player behaviours and AI algorithms for many card and board games. Our independently developed AI algorithm library is crucial for further improving our existing games as well as for creating new innovative games with sound game mechanics. For example, we launched *Single-Player Fight the Landlord* (單機鬥地主) in 2011, which allowed an individual player to play with computer players controlled by AI. In 2011, we also launched a two-player Mahjong game *Talent Mahjong* (達人麻將), which uses fewer tiles than standard Mahjong and is a simpler and faster paced game suitable for casual playing on web pages and mobile devices. The mobile version of *Talent Mahjong*, launched in 2012, won the Most Innovative Mobile Game Award in the 4th China Game Developers' Awards. The mobile versions of *Single-Player Fight the Landlord* and *Talent Mahjong* were at a time the No. 1 and No. 3, respectively, most downloaded free card and board games on the Google Play Store.

As an early mover, we have accumulated over 15 years of expertise and know-how in operating online card and board games. We have developed a comprehensive data analytics system that is capable of tracking and analysing players' playing and consumption activities. This system enables us to achieve timely understanding of players' reactions to new features, preferences between different virtual goods and in-game privileges, as well as receptiveness to promotions and advertisements. Such understanding in turn helps us design carefully tailored strategies to maintain the optimal balance between attracting a broad base of players without compromising core gameplay, and increasing ARPPU by inducing the conversion of non-paying players to paying players and stimulating additional consumption by existing paying players.

Experienced Professional Management Team and Entrepreneurial Corporate Culture

We have an experienced professional management team with deep industry insights and an entrepreneurial corporate culture that emphasizes efficiency and innovation. Mr Yang Eric Qing, the Chairman of our Board of Directors and co-Chief Executive Officer, has extensive expertise in management and business strategies. Prior to joining our Company in 2010, Mr Yang had extensive experience in business consulting primarily working at IBM. Mr Ng Kwok Leung Frank, our co-Chief Executive Officer, has worked for our Company for about ten years and is our leading expert in the operation of online card and board games. Mr Zhang Peng, our President, is a veteran in the mobile industry in China. Prior to joining our Company in early 2014, Mr Zhang had over 10 years' experience primarily working at China Mobile, and received a national technology advancement award for his research project on mobile operation platforms.

Our professional management team has fostered a corporate culture that encourages collaboration and innovation. We encourage our employees to be entrepreneurs by providing them ample opportunities to develop games about which they feel passionate. We emphasize efficiency, allowing us to enjoy first-mover advantages and seize market opportunities when they arise. We encourage our developers to take initiatives and develop a sense of ownership during the process of their development projects, and we have offered bonuses and share-based compensation to reward them based on their performance. We believe that we have built up an industry-leading team of game developers and operators, and we will continue to work and grow together, united by our common vision to bring people "happiness, day after day", as expressed by our corporate motto.

OUR STRATEGIES

Our goal is to become the dominant leader in the online card and board game industry in China. We plan to achieve our goal by pursuing the following principal strategies:

Strengthen and Optimize Our Game Portfolio, with a Focus on Mobile Games

We will continue to allocate significant investment and management attention to the expansion of our mobile game portfolio. We believe that over the next several years mobile games will be a major driving force for the growth of our Company and the industry. In the past few years, we have devoted substantial resources to the development of mobile games. As a result, our revenue derived from mobile games increased from RMB3.8 million in 2011 to RMB15.6 million in 2013, and increased from RMB0.9 million in the three months ended 31 March 2013 to RMB17.3 million in the three months ended 31 March 2014. More significantly, the player base of our mobile games, as measured by averaged MAUs, exceeded the player base of our PC games in 2013 and the first quarter of 2014. We have recently started to accelerate mobile game monetization by leveraging the large player base we have built up. Currently we offer five and four card and board games for the Android and iOS operating systems, respectively. We plan to substantially increase the number of our mobile game titles. Our main focus in the near future is to develop and launch classic card and board games optimized for mobile devices. In 2014, we plan to launch a number of self-developed mobile games, as well as to operate on our platform some licensed mobile games developed by third-party developers. In addition, we will further enhance the synergy between our PC and mobile games and continue to give our players a seamless playing experience

regardless of the device on which they are playing. We will also deepen and expand our business relationships with mobile carriers and device makers to reach more players and to offer our players with mobile optimized value-added services.

At the same time, we plan to optimize our extensive PC game portfolio. We will further consolidate our core game categories. We have built two full-featured web games akin to mini-portals, *Tiantian Fight the Landlord* and *Poker World*, where players can play different levels of games, enter tournaments and purchase virtual goods all in one place. We will continue to develop more regional and tournament versions for these core games and to add social interaction features that enhance player engagement and create monetization opportunities. We will also develop similar mini-portals for other game categories, such as a Mahjong suite with a variety of game versions and tournaments. In the meantime, we will strengthen our non-core game categories by striving to increase player stickiness and activity level. We plan to apply our tournament engines and other interactive features to more game categories. We aim to further enhance the interconnections between different games with a view to turning players of isolated games into platform-wide users.

Deepen Market Penetration and Accelerate Player Monetization

We intend to solidify our current game distribution arrangements and explore opportunities for new business relationships to deepen the market penetration of both our PC and mobile games. We plan to strengthen our existing relationships with major game distribution channels. We will explore business opportunities with other popular internet portals and arrangements to preinstall our games on mobile devices. We also intend to expand alternative and creative product distribution and promotion channels that are currently underutilized by online game companies. For example, in the past two years, we produced a game show as part of the Fight the Landlord Gold League tournament which was broadcast on several television networks in China. We plan to further explore television as an effective promotion channel.

We plan to accelerate monetization by expanding our paying player base and increasing the ARPPU of our PC and mobile games. We plan to regularly introduce attractive new virtual goods and new game features that are only available to paying players. We believe that our large game portfolio and integrated platform will allow us to conduct selective and targeted cross promotion in an attempt to attract players to high ARPPU games. Since 2013, we have started to accelerate monetization of our mobile game players. We plan to launch a substantial number of new mobile games with good monetization potential in the next few years, and we plan to upgrade our existing mobile games to improve their monetization capability. Finally, we will also continue to improve the convenience and flexibility of our payment process by cooperating with more payment channel vendors.

Expand Our Combined Online and Offline Events to Further Promote Our Online Games

We plan to further increase the profile and scale of our combined online and offline events. We have been hosting an annual World Poker Tour event in Sanya, Hainan since 2012. We plan to continue to organise similar combined online and offline events in 2014. We plan to continue to host online qualification competitions through our PC and mobile distribution channels for these new events. We are also honoured to have been chosen by the World Bridge Federation and the General Administration of Sport of China as a co-organiser of the 14th World Bridge Series Championships in October 2014. We expect that organising this prestigious quadrennial event will elevate our brand image to a new level. We plan to actively pursue new opportunities to organise additional combined online and offline events, particularly events with TV broadcasting arrangements. We also plan to expand the geographic reach of our combined online and offline events and increase the number of game categories in our combined online and offline competitions.

Continue to Strengthen Research and Development and Invest in Leading Technologies

A strong research and development team is required for the development of successful online card and board games. Throughout our history we have attached special value to recruiting and training high-quality developers.

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Our research and development team makes up over 55% of our company's total head count. We plan to recruit and retain more developers with rich experience and skills for mobile game development.

We plan to strengthen and expand our shared service components to further improve the efficiency of game development, with special focus on optimizing our tournament engine and our platform-wide interactive social services. We also plan to further invest in cloud technology to streamline the development, deployment and optimization of our online games.

Furthermore, we plan to improve our current data analytics technology and build a standardized database and business analytics system covering all our online game products. In particular, we aim to strengthen our ability to monitor, analyze and predict the playing and consumption behaviours of our mobile game players. We expect that with the enhanced system we will be able to better analyze the factors that drive our players' willingness to pay in our games, and we will be able to target different groups of players with different incentives to achieve more effective consumption stimulation.

Selectively Pursue Strategic Partnerships and Acquisitions to Broaden Our Domestic and Overseas Market Reach

Currently there are a substantial number of independent game developers and operators in China. Some of these developers and operators have strong local know-how on the development of regional card and board games. We may explore opportunities to invest in or acquire some independent developers and operators who would strengthen or complement our existing game portfolio. As at the Latest Practicable Date, we had not identified any specific suitable target for acquisition.

We are also in the process of further opening up our integrated platform to third-party games, such as regional card and board games operated by local developers. These third-party games will be able to utilise our virtual currency and virtual game point systems, as well as other common components such as billing, security and communication tools. We believe that such cooperation will combine the strengths of a large national platform and loyal local player bases, and benefit all parties involved.

Many games in our portfolio are based on classic Chinese card and board games with deep-rooted traditions. Therefore, we plan to start our overseas expansion in markets with substantial ethnic Chinese populations, such as Malaysia, Indonesia and Singapore. We plan to initially launch a small number of games in select markets in partnership with local distribution networks. In the longer term, we will learn from these pilot programmes and expand our investment and operations in overseas markets. At the same time, by hosting international card and board game tournaments, we will strive to enhance our brand recognition in overseas markets, and to establish and strengthen relationships with global game distributors to expand the player base of our international game titles such as Texas Hold'em, Bridge and Go. We have established a Hong Kong subsidiary, Lianzhong Hong Kong, which will serve as the main control hub of our overseas business. We recently entered into a cooperation agreement with the Partner's Club, an association devoted to the promotion and organisation of mind sports such as Bridge. The President of the Partner's Club, Mr José Damiani, is the President of the International Mind Sports Association and a long-serving ex-President of the World Bridge Federation. Under our agreement with the Partner's Club, we will work together to promote duplicated Texas Hold'em around the world and explore the feasibility of establishing an international duplicated Mahjong organisation. The Partner's Club will also help to promote our Bridge services and tournaments around the world. In addition, Lianzhong Hong Kong is currently under early discussion with two major international online game developers/publishers regarding potential cooperation.

OUR GAMES

We offer an extensive portfolio of over 200 online games under three operation models, namely, self-developed games, licensed games and third-party operated games.

Self-developed games

As of the Latest Practicable Date, most of the online games we offered, including substantially all of the mobile games, were self-developed games. We derived a large majority of our revenue from self-developed games during the Track Record Period, and the percentage of our revenue contributed by self-developed games increased from 59.0% in 2011 to 80.2% in 2013 and further to 84.7% in the first three months of 2014 as we increasingly prioritized promotion of our self-developed games. A substantial number of these games are classic card and board games with long product lifespans. We develop and operate both games that are popular throughout China and games with regionally concentrated player bases. Our most popular game categories, Fight the Landlord, Mahjong and Texas Hold'em, are available in both PC and mobile forms and through multiple distribution channels. Our *Tiantian Fight the Landlord* and *Poker World* web games function like specialty game portals. Within the game portals, players can play in different levels of game rooms and enter various tournaments, and they can purchase our virtual currencies and exchange them for virtual goods. We are in the process of developing a similar product for Mahjong, which will include many regional variations of the game. Most of our other card and board games are currently available in our PC portal Ourgame Hall, and we plan to launch a number of new mobile games in the next few years. Besides card and board games, we also develop and offer a number of casual games, which are either flash-based web games or mobile games.

Licensed games

We operated four licensed PC games and a number of licensed non-smartphone mobile games as of the Latest Practicable Date. Our revenue derived from licensed games remained relatively stable during the Track Record Period, but as a percentage of our total revenue decreased from 13.2% in 2011 to 9.4% in 2013 and further to 7.0% in the first three months of 2014 due to the fast growth of our self-developed games. Our licensed PC games are all MMOGs developed and licensed to us by third-party developers. One licensed game, *Reign of Revolution*, accounted for 85.5%, 90.4%, 75.2%, and 74.2% of our revenue derived from all licensed PC games for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively. Under our licensing and revenue-sharing agreements with the developers of our licensed games, we typically pay these developers on a monthly basis a portion of the revenue derived from the relevant licensed games. The percentage of revenue we pay to the developers typically range from 20% to 65%, depending on the amount of the revenue and whether we have paid an initial fixed license fee. During the Track Record Period, our revenue derived from licensed games was recognised on a gross basis.

Third-party operated games

We also distribute on our platform 12 third-party operated games as of the Latest Practicable Date. The percentage of our revenue contributed by third-party operated games decreased significantly from 26.5% in 2011 to 6.2% in 2013 as we prioritized promotion of our self-developed games. Third-party operated games primarily included MMOGs from 2011 to 2013. In the first quarter of 2014, we started to also distribute third-party operated mobile games. As a result, the percentage of our revenue contributed by third-party operated games increased slightly to 7.3% in the first quarter of 2014. However, we do not expect that this percentage will continue to increase materially as we will primarily focus on self-developed mobile and PC games. The third-party developers are primarily responsible for operating these games on their own servers and providing customer service to players. Under our revenue-sharing agreements with the developers of third-party operated games, we typically pay these developers on a monthly basis between 40% and 60% of the gross revenue collected from players of these games. During the Track Record Period, our own revenue derived from third-party operated games was recognised net of the portion of revenue shared with the third-party developers.

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The following table sets forth our revenue breakdown by game operation models in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Self-developed games	90,802	59.0	144,589	70.3	189,405	80.2	35,264	76.3	78,729	84.7
Licensed games	20,287	13.2	20,846	10.1	22,316	9.4	5,071	11.0	6,525	7.0
Third-party operated games	40,774	26.5	33,241	16.2	14,576	6.2	4,703	10.2	6,784	7.3
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0

The following table sets forth the numbers of games newly launched on and withdrawn from our online game platform during 2011, 2012 and 2013 and the three months ended 31 March 2014, as well as the numbers of games in our product pipeline as of 31 December 2011, 2012 and 2013 and 31 March 2014:

	For the year ended 31 December			For the three months ended 31 March
	2011	2012	2013	2014
	Newly launched (during the period indicated)	14	20	7
Withdrawn (during the period indicated)	5	3	6	0
In the pipeline (as of the end of the period indicated)	3	3	2	3

During the Track Record Period, we did not withdraw any card and board games from our online game platform, because card and board games generally have long lifespans and require lower maintenance costs than most other types of games. During the Track Record Period, we withdrew 14 games from our online game platform. These withdrawn games were all third-party operated games, with the exception of one licensed game which was withdrawn because its developer discontinued its business. The agreements relating to the majority of our third-party operated games are subject to annual renewal, and we typically make a decision on an annual basis to determine whether to discontinue a particular game. This decision is made based on a combination of factors including number of users and revenues.

Descriptions of our most popular game categories are provided below. Except for *Reign of Revolution* and one version of Go, all games described below are our self-developed games.

Fight the Landlord (鬥地主)

Fight the Landlord is our most popular game category as measured by MAUs during the Track Record Period and is available in both PC and mobile forms through multiple distribution channels. It is based on its real-world counterpart that has in recent years become one of the most popular card games in China. In this game, two players, the “peasants”, play in concert against the third player, the “landlord”.

**PC Versions**

We launched our first Fight the Landlord game in Ourgame Hall in March 2001. Currently, we operate seven PC versions, including several regional variations.

Our web version of Tiantian Fight the Landlord (天天鬥地主), launched in 2011, is our first major game developed using web technology which enables us to distribute this game through third-party distribution channels subsequently in 2012 for further user acquisitions. In 2012, this version received the China Outstanding Publication Award (中國優秀出版物獎) from the GAPP, and it was the only card and board game to receive such an award in 2012.

Mobile Version

Our mobile version, *Single-Player Fight the Landlord* (單機鬥地主), also known as *Tiantian Fight the Landlord for Mobile* (天天鬥地主(移動版)), was launched in January 2011 and is currently available for both Android and iOS operating systems. It has four game modes: single-player games, level clearance, multi-player games and multi-player tournaments. The innovative level clearance mode contains seven episodes with numerous tasks to challenge the players. In 2013, the same version was chosen as a top-50 game in the 8th Global Mobile Game Developers Conference.

First launched over 12 years ago, this game category continued to grow rapidly during the Track Record Period, with average PC MAUs increasing from 0.9 million in 2011 to 3.2 million in 2013 and further to 3.4 million in the first quarter of 2014, and average mobile MAUs increasing from 6.6 million in the first quarter of 2013 to 11.8 million in the first quarter of 2014.

Our PC and mobile Fight the Landlord games are well integrated with our offline tournaments. For example, we and Yaoji organised the first season of Fight the Landlord Gold League in 2012. Before the final competition which was held offline, we hosted qualifying competitions through our online games. We recorded over 10 million player sessions during our online qualifying competitions.

Texas Hold'em

Texas Hold'em is available through multiple distribution channels. It is based on its real-world counterpart that originated in the United States and became one of the most popular poker games in the world. In our Texas Hold'em games, players can play at ongoing tables that seat up to nine players each. Players at each table compete to win virtual game points from each other. Players can also enter into tournaments to win virtual goods or chances to be invited to play in major offline tournaments in China or abroad.



Texas Hold'em was first launched as a PC game *Poker World* (扑克世界) in August 2011. We introduced our web version in March 2012. Average MAUs for all Texas Hold'em PC games increased from 15.0 thousand in 2011 to 56.1 thousand in 2013 and further to 107.7 thousand in the first quarter of 2014.

Our online Texas Hold'em games are well integrated with our offline tournaments, including the first Texas Hold'em tournament in China sanctioned by the World Poker Tour, WPT National China. Players can compete for opportunities to enter high-profile offline tournaments through online preliminary competitions. Before the offline final competitions of the WPT National China in 2012 and 2013, we recorded over 500,000 and over 1.2 million player sessions, respectively, during our online qualifying competitions.

Mahjong (麻將)

Mahjong is one of our most popular game categories and is available in both PC and mobile forms through multiple distribution channels. It is based on its real-world counterpart that has several hundred years of history and is one of the most popular pastimes in China. In a traditional Mahjong game, four players race to construct a 14-tile hand, preferably with a high point value under the applicable rules.



PC Versions

We launched our first Mahjong game in 1999. Currently, we operate 29 PC versions. Mahjong rules vary in different regions of China. To accommodate the different traditions and preferences of our players throughout China, we offer many regional variations including *Shanghai Mahjong*, *Shandong Mahjong* and *Liaoning Mahjong*, among others.

In October 2011, we introduced a two-player Mahjong web game, *Talent Mahjong* (达人麻將). It uses fewer tiles than standard Mahjong and is a simpler and faster paced game. Other innovative features include doubling and task completion.

Average MAUs for all Mahjong PC games increased from 0.7 million in 2011 to 1.5 million in 2013 and further to 1.9 million in the first quarter of 2014.

Mobile Version

The mobile version of *Talent Mahjong* was launched in 2012 and is currently available on both Android and iOS operating systems. Average MAUs for our mobile game *Talent Mahjong* increased from 0.2 million in 2012 to 1.7 million in 2013 and further to 2.2 million in the first quarter of 2014.

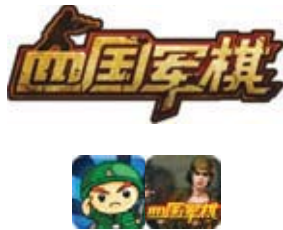
Other Games**Bridge**

Bridge is based on its real-world counterpart that originated in Europe more than a century ago. In this game, two pairs of players bid for a contract and compete to fulfil or prevent the fulfilment of the contract. It was first launched in December 1998 and is available in Ourgame Hall. We support various scoring systems, such as match point scoring and victory point scoring.

We have maintained good working relationships with the China Contract Bridge Association and the World Bridge Federation. We have broadcast on Ourgame Hall important international Bridge tournaments attended by the Chinese national teams since 2009.

**Tractor (升级)**

Tractor (also known as Level Up) is based on a popular card game in China. In the standard version of this game, two pairs of players compete with each other, each pair trying to score enough points to ascend through levels. First launched in June 1998, *Tractor* is one of our earliest online games. Currently we offer five PC versions including one web game version.

**Four-Party Military Chess (四国军棋)**

Four-Party Military Chess is based on a popular Chinese board game. In this game, two pairs of players compete with each other to capture each other's flags. First launched in 1998, it is one of our earliest online games. In September 2012, we introduced a web game version of *Four-Party Military Chess*. Currently we offer four versions of the game including three single-player versions. In addition, we have organised the largest-scale Four-Party Military Chess offline tournaments in China.

**Chinese Chess (中国象棋)**

Chinese Chess is our most popular board game. It is based on its real-world counterpart that has centuries of history and remains very popular in China today. In this game, each of two players commands 16 chess pieces with the goal of capturing the other player's "General" piece. Players gain or lose rating points depending on the outcome of the game. Players with high rating points are eligible to play in high-rating game rooms.

First launched in June 1998, *Chinese Chess* is one of our earliest online games. In 2013, we introduced a web game version and a mobile version for the Android operating system. With our advanced AI expertise, we also offer a single-player version of *Chinese Chess*. In addition to giving players different game and tournament modes, we offer tutorial and practice features that help players improve their skills.



Protect the Emperor (保皇)

Protect the Emperor is based on a popular card game in China that originated in Shandong Province. In this game, one two-player team and one three-player team compete with each other to play all cards in hand first. It was first launched in July 2004, and we currently offer three versions in Ourgame Hall. We plan to introduce a mobile version in 2014.



Go (圍棋)

Go is based on its real-world counterpart that originated in China more than 2000 years ago. In this game, two players compete to surround the largest territory on the game board using pieces known as stones. First launched in June 1998, *Go* is one of our earliest online games. Currently we offer two versions of *Go* in Ourgame Hall, including a new version introduced in August 2012. The standard version has five language editions, including simplified Chinese, traditional Chinese, Japanese, Korean and English.



Aeroplane Chess (飛行棋)

Aeroplane Chess is based on a popular Chinese board game. In this game, two to four players compete to “fly” all their plane-styled chess pieces to their respective home bases before other players. *Aeroplane Chess* was first launched in 2001, and we currently offer two versions of the game in Ourgame Hall, including a new version introduced in August 2012. Compared to its classic real-world counterpart, we have added several innovative features. For example, our players can build customized “aircraft” with special functions.



Angry Fisherman (憤怒的漁夫)

Angry Fisherman is a non-card-and-board casual game that we launched in July 2011 and is available in Ourgame Hall. In this game, players can purchase bullets to fire at various swimming fishes under the ocean.



Flying Ninja Cat (飛天忍者貓)

Flying Ninja Cat is a non-card-and-board casual game that we first launched as a web game in 2007. We introduced a mobile version for the iOS system in November 2011. It is an action/venture game with popular Parkour elements.



Reign of Revolution

Reign of Revolution, also known as *R2*, is a 3D MMOG developed by well-known Korean game producer Kim Dae-il and operated by us under the licensing and revenue-sharing agreement between us and NHN Entertainment Corporation. We launched the game in 2008 as the exclusive distributor in the PRC.

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For our revenue breakdown by game categories during the Track Record Period, see the section headed “Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by game forms and game categories”.

OUR PROPRIETARY AND THIRD PARTY DISTRIBUTION CHANNELS

We have an integrated online game platform with multiple distribution channels. We distribute our PC games primarily in two ways: as locally installed games playable in our PC client portal Ourgame Hall and as web games playable on web pages served by us and third-party distribution channels. We distribute our mobile games for both Android and iOS operating systems. A player can use the same user ID to play substantially all of our games on multiple PCs and mobile devices. Many of the virtual goods we offer, such as personalized avatars, status symbols and short-character IDs, are linked to a player’s account and can be used throughout our platform. Our universal PC virtual game points can be used in over 20 of our PC games. These games accounted for over two-thirds of our total revenue in 2013. We believe that these platform-wide features help us increase player stickiness, effectively promote new games to existing players and convert non-paying players to paying players.

Ourgame Hall

Ourgame Hall is our proprietary downloadable PC client portal. Within Ourgame Hall, players can play over 200 games, including about 40 types of card games, over 25 variations of Mahjong, and 20 board games. Its menu also includes over 10 licensed and third-party operated MMOGs and links to web games that do not require local installation, which are mostly non-card-and-board casual games.

Ourgame Hall is one of the most popular online game portals in China focusing on card and board games. During the Track Record Period, Ourgame Hall was downloaded over 45 million times. In 2013, the average monthly downloads reached 1.2 million.

Our strong and integrated platform allows us to leverage our vast player base to distribute games developed by third parties that complement our self-developed game portfolio. We primarily distribute third-party games through Ourgame Hall. These third-party games include licensed games which are operated by us and third-party operated games. See the section headed “— Our Games” above.

Distribution of Web Games

We also offer browser-based web games which do not require local installation. Over 90 games are available on our websites ourgame.com and lianzhong.com, and some of these games are also available on the websites of approximately 30 third-party distributors including several high-traffic internet portals such as Baidu, Sina Weibo and Qihoo 360. These web games include our most popular card and board games such as *Tiantian Fight the Landlord*, *Poker World*, *Talent Mahjong* and *Chinese Chess*, as well as a few other card and board games and casual games. In addition, we offer more than 80 non-card-and-board flash games on our websites.

The *Tiantian Fight the Landlord* and *Poker World* web games are each a mini-portal leading our players to a full suite of games and features. Within each of these web games, players can play in different levels of game rooms and enter various tournaments, and they can purchase our virtual currency and virtual goods. We are in the process of developing a similar product for Mahjong, which will include many regional variations of the game.

Under our cooperative agreements with third-party distributors, these distributors use their websites to make available and promote our web games to their users and charge us commissions for their users’ purchases of our virtual goods. Revenue is typically accounted on a monthly basis and the percentage of revenue shared with the third-party distributors typically range from 30% to 70%. The third-party distributors typically have 30 days to transfer to us our share of the gross revenue. We operate all game servers and maintain all games operated

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through these distribution channels. Typically we are responsible for all customer service in connection with game operation whereas the distribution channels are responsible for customer service in connection with payments. The terms of these distribution agreements typically range from one to three years.

Distribution of Mobile Games

Currently we offer 12 smartphone mobile games, including games in our most popular card and board game categories —*Tiantian Fight the Landlord* and *Talent Mahjong*, which are available for both Android and iOS operating systems. The mobile version of *Chinese Chess* is available on Android. Additionally, we offer six other games for iOS, including *Flying Ninja Cat* (飛天忍者貓) and *Fruit Monkey* (水果猴). Players can find a complete list of our mobile games, including their descriptions and download links for different operating systems, on our mobile game website, m.lianzhong.com. During the Track Record Period, substantially all of our mobile games are single player games or have single player modes.

We distribute our mobile games through over a number of channels, including China Mobile, 360 Mobile Assistant, Baidu, Google Play and Apple's App Store. China Mobile was the most important distributor of our mobile games during the Track Record Period. We derived 100.0%, 100.0%, 94.0%, and 52.5% of our total mobile revenue from games distributed by China Mobile for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively. For most of our mobile games, China Mobile charges 30% of the revenue as channelling fees both for distribution of our games and for provision of mobile payment services. China Mobile has 90 days to transfer to us our share of the gross revenue. China Mobile has standard renewable one-year contracts with all game developers. Other mobile distribution channels with revenue-sharing agreements with us typically charge us 30% to 50% of the revenue as commission fees. We customize our mobile games for some distribution channels such as 360 Mobile Assistant, adding these partners' own account and payment systems to our games. Furthermore, we promote our mobile games in various other ways including exchanging links with third-party websites and publishing advertisements and sponsored articles on mobile-related portals.

Our Major Game Distribution Channels

The following tables set forth our top three game distribution channels, revenue generated from these distribution channels for the periods indicated and the other relevant information:

For the year ended 31 December 2011

Rank	Distribution Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	Ourgame Hall	146,803	95.4	N/A	Ourgame Hall is our proprietary distribution channel.
2	China Mobile	3,829	2.5	Since 2004	China Mobile is the largest mobile carrier in China. China Mobile is an independent third-party distributor.
3	Sina Weibo	1,161	0.8	Since 2011	Sina Weibo is a popular Chinese micro-blogging platform operated by Sina Corporation. Sina Weibo is an independent third-party distributor.

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For the year ended 31 December 2012

Rank	Distribution Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	Ourgame Hall	185,228	90.0	N/A	See description above.
2	China Mobile	8,539	4.2	Since 2004	See description above.
3	Sina Weibo	4,607	2.2	Since 2011	See description above.

For the year ended 31 December 2013

Rank	Distribution Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	Ourgame Hall	159,215	67.4	N/A	See description above.
2	China Mobile	66,064	28.0	Since 2004	See description above.
3	Qihoo 360	521	0.2	Since 2008	Qihoo 360 is a well-known Chinese software developer and operates a popular internet portal. Qihoo 360 is an independent third-party distributor.

For the three months ended 31 March 2014

Rank	Distribution Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	Ourgame Hall	55,644	59.8	N/A	See description above.
2	China Mobile	26,917	28.9	Since 2004	See description above.
3	Baidu	629	0.7	Since 2011	Baidu is a well-known Chinese web services provider and operates a popular search engine and a popular internet portal. Baidu is an independent third-party distributor.

OUR COMBINED ONLINE AND OFFLINE TOURNAMENTS

One aspect of our business that we believe differentiates us from our competitors is our integration of online card and board games with officially sanctioned, large-scale offline tournaments. In the past two years, we have organised a number of combined online and offline events. Our offline events are an extension of our online games. Prior to our offline tournaments, we held preliminary competitions on our online platform. The combined online and offline tournaments have become an important promotional tool for us to attract new players to our online game platform.

The principal role of the combined online and offline tournaments is to act as our promotional tool to attract new players to its online game platform. Although we also generated sponsorship income from the combined online and offline tournaments, such income did not represent a significant percentage of the Group's total revenues in the Track Record Period. For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, we derived RMB1.3 million, RMB6.4 million, RMB5.3 million and RMB0.7 million, respectively, from sponsorships for our combined online and offline tournaments, representing 0.8%, 3.1%, 2.2% and 0.8% of our respective total revenue during the same periods.

World Poker Tour

In December 2012, we organised the first Texas Hold'em tournament in China sanctioned by the World Poker Tour. The four-day tournament, known as WPT National China, took place in MGM Grand Sanya Resort in Sanya, Hainan. The tournament was co-sponsored by the Sanya government. The tournament featured one main competition and seven side competitions with a combined total of more than 1,000 players. The offline main event was contested by over 500 players, including more than 50 players from outside the PRC. Before the offline tournament, we recorded more than 500,000 player sessions during our online qualifying competitions.

In November 2013, we organised the second WPT National China in Sanya. Total participants increased to over 3,000, and entrants to the offline main event increased from about 500 in 2012 to over 1000 in 2013, including over 100 players from outside the PRC. Before the offline tournament, we recorded more than 1.2 million player sessions during our online qualifying competitions.

WPT National China has attracted many well-known businesses as exclusive sponsors, including ICBC, Red Bull, China Resources, among others.

We have a five-year agreement regarding WPT National China through July 2017. Under this agreement, we pay an annual license fee to host a national, non-televised, WPT-branded poker tournament (“**National Event**”) once per year. We have the right to retain all revenue from any sponsorships that we sell through our own channel for the funding and support of the operation of the National Events. We plan to make WPT National China a regular annual event.

In 2014, we entered into another agreement with the World Poker Tour to host a new series of poker tournaments, the WPT Dragon Series, in Asia and other locations outside China. Under this agreement, we may, but are not obligated to, host one national, non-televised, WPT-branded poker tournament per month. In April 2014, we hosted the first stop of the WPT Dragon Series in Vietnam.

Fight the Landlord Gold League

In 2012, we partnered with Yaoji, a well-known and PRC-listed playing card manufacturer to launch the first season of Fight the Landlord Gold League. The entire tournament spanned over five months and we recorded over 10 million player sessions during our online qualifying competitions. The semifinal competitions were carried out both online and as game shows broadcast by four provincial TV networks including Tianjin TV, Shandong TV, Hubei TV and Yunnan TV. Cumulative daily viewership for the season exceeded 86 million. The final competition took place in Beijing and the champion claimed the prize of one kilogram of gold. The Gold League was renewed for a second season in 2013. Five TV networks signed up as competition and broadcast partners, including Tianjin TV, Shandong TV, Shanxi TV, Chongqing TV and Shenzhen TV. The second season of the Gold League was ongoing as of the Latest Practicable Date.

World Bridge Series

The 14th World Bridge Series Championships, a quadrennial event organised by the World Bridge Federation, will take place in Sanya in October 2014. Due to our experience and expertise in conducting combined online and offline card game tournaments, we have been entrusted by the World Bridge Federation and the General Administration of Sport of China as a co-organiser of the World Bridge Series Championships. The event consists of the highest-level international open team Bridge championships, which include the prestigious men's Rosenblum Cup and women's McConnell Cup. Our agreement with the China Contract Bridge Association provides that we will be the only corporate co-organiser of the 14th World Bridge Series Championships. During the period from August 2013 to October 2014, we have the right to exclusively engage in promotional activities in China in connection with these Championships. Under our agreement with the Sanya government, we are responsible for paying a fee to the World Bridge Federation in return for the exclusive commercial development

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rights in connection with these Championships (including, among others, naming rights, media reporting rights, video broadcasting rights and the rights to use relevant authorised logos during commercial activities) and the right to retain all sponsorships and other revenue derived therefrom.

Other Combined Online and Offline Tournaments

We have organised several other combined online and offline card and board game tournaments, such as the 80 Cup Tractor Tournament and the largest-scale Four-Party Military Chess tournaments in China.

GAME MONETIZATION

Substantially all our games are free to play, as we give our players a limited number of virtual game points on a regular basis for basic game play. Allowing players to start playing our games without any payment has helped us develop a large player base. Players may choose to enhance their playing experience by purchasing our virtual currencies and exchanging them for our virtual goods. During the Track Record Period, we generated a majority of our revenue from sales of our virtual goods. See “Financial Information — Significant Accounting Policies and Estimates — Revenue Recognition”.

Our Virtual Currencies

We issue a virtual currency called “Ourgame Coin” (“聯眾幣”) for our PC games and a virtual currency called “Yuanbao” (“元寶”) for our mobile games. They can be purchased in various denominations with RMB at a rate of 1 RMB to 10 Ourgame Coins or 10 Yuanbaos. Our virtual currencies can be used to exchange for our virtual goods. Under applicable PRC regulations, virtual currencies cannot be directly used in games. Our policies do not allow players to exchange virtual goods back to virtual currencies.

Our Virtual Goods

We offer various other virtual goods to enhance social interactions on our online game platform. These virtual goods are linked to a player’s account instead of specific games, and as such they can be applied throughout our platform. Our major types of virtual goods include:

- *Ourgame Shows.* Players can build their personalised avatars called “Ourgame Shows” (“聯眾秀”). A player’s Ourgame Show avatar is displayed on screen to represent the player after being seated at a game table. To customise their Ourgame Show avatars, players can choose from various base characters, and add their desired hairstyles, apparels, accessories, background images and corner ornaments. These Ourgame Show products can be purchased with our virtual currencies. Some limited edition Ourgame Shows are priced as high as over RMB10,000. Ourgame Shows can be displayed for a specified period of time typically ranging from 30 days to 180 days, with paying players generally purchasing Ourgame Shows that are available for 180 days.
- *Ourgame Symbols.* “Ourgame Symbols” (“聯眾標誌”) are icons such as diamonds, hearts or crowns that are displayed next to players’ user IDs in Ourgame Hall. Ourgame Symbols have a defined hierarchical order and signify different player statuses. Some high-level Ourgame Symbols cannot be exchanged with virtual currencies directly but must be exchanged with lower-level Ourgame Symbols. Players with Ourgame Symbols are shown more prominently on the player list in Ourgame Hall, and they enjoy certain privileges such as priority in entering a crowded game room and receiving customer services. Each Ourgame Symbol can be displayed for specified period of time typically ranging from one day to 180 days, with paying players generally purchasing Ourgame Symbols that are available for one day to 30 days.
- *Special IDs.* During registration a player can choose a user ID comprised of five to 19 alphanumeric characters. For players who desire more personalised and memorable IDs, we offer short-character IDs as well as IDs with Chinese characters. In 2013, two special two-character IDs were sold at a total price of RMB1.3 million. Buyers of special IDs receive a membership subscription free of charge for a certain

period of time. Afterwards, they must maintain active membership subscription to preserve these special IDs, which will be recycled 30 days after membership subscription expires. However, players can purchase tools to permanently preserve their special IDs without active membership subscription.

- *Our Membership Plans.* Players can subscribe to our monthly, quarterly or annual membership plan with our virtual currencies, with paying players generally subscribing to monthly and quarterly plans. Members enjoy a number of privileges during games, such as removing non-members from their game tables, entering a full game room, opening password protected private game rooms, entering members-only game rooms, setting a list of unwelcome players and receiving extra virtual game points free of charge when they log onto our games each day. Some of our avatars and symbols are only available to members. Members also enjoy other benefits such as prioritised customer service and additional chatting features.

Most of the virtual goods we offer, including the major types described above, are consumable virtual goods, which we define as (i) those that have a predetermined service period, such as Ourgame Shows, Ourgame Symbols and membership plans, or (ii) those where no service is rendered by the Group for the virtual goods immediately after purchase by the paying players, such as special IDs. We also offer durable virtual goods, which we define as those that have no predetermined service period and are accessible and beneficial to paying players over an extended period of time. Durable virtual goods were only offered in four licensed MMOGs during the Track Record Period. See the section headed “Financial Information — Significant Accounting Policies and Estimates — Revenue Recognition”.

Our Virtual Game Points

The sole purpose of our virtual game points is to represent players’ playing records and levels. The balances of our virtual game points can only change within our games and have no monetary value outside of our games. Players cannot purchase our virtual game points with cash, nor can they directly exchange our virtual currencies for our virtual game points. However, players who exchange our virtual currencies for certain virtual goods are given a certain number of virtual game points at no additional charge.

Players can use our universal PC virtual game points in over 20 PC games. These games accounted for over two-thirds of our total revenue derived from PC games in 2013. Players can also use the same mobile virtual game points in our top two mobile games, *Fight the Landlord* and *Talent Mahjong*, which accounted for over 70% of our total revenue derived from mobile games in 2013 and the first quarter of 2014. Such universal virtual game points enhance the effectiveness of cross-promotion between our games and help our newly developed games to attract existing players.

Monetization Measures

To lay the foundation for effective monetization of our games, we must build up and continuously expand our overall player base. Our long operating history, well established and respected brand and our widely publicized combined online and offline events and TV shows all help us retain existing players and attract new players to our online game platform.

At the same time, we use various methods to convert non-paying players to paying players. We encourage players to purchase our universal virtual currencies and use them to exchange for our virtual goods. Some of these virtual goods come with a certain number of virtual game points free of charge. The wide usability of our virtual goods and virtual game points throughout our platform increases their attractiveness and helps to overcome the payment barrier of players who may be reluctant to pay for any one particular game for the first time. We set the minimum purchase threshold at a low level so as to encourage non-paying players to make their initial purchases.

In addition, we implement a number of measures to increase the consumption levels of existing paying players. We frequently introduce new virtual goods and we run targeted promotions around holidays and special events.

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For example, we regularly promote a popular romantically themed Ourgame Symbol around Saint Valentine's Day and its Chinese counterpart Double Seventh Festival (七夕). We offer some of our special edition Ourgame Shows for limited times and in limited quantities to encourage players to collect them when they are available. We also publish on our website player rankings based on their purchase activities to stimulate competition among our top paying players and emulation by our general player base.

Our Payment Channels

We enhance the flexibility and convenience of our payment process by offering players with a variety of payment channel options. Players can make payments either by purchasing our pre-paid game cards or by using many third-party payment channels, including major Chinese banks' online banking services, online payment platforms such as 99Bill, Shenzhoufu and Alipay, and pre-paid cards distributed by various third-party distributors. Most of our revenue derived from mobile games are collected by mobile carriers, particularly China Mobile, which is also a distributor of our games.

The following tables sets forth our major categories of payment channels

Payment Channel Categories	Descriptions	Major Examples
Online banking	Major Chinese banks provide convenient online payment services that charge low commission fees, typically no more than 1% of the proceeds from player purchases. These banks typically have 30 days to transfer to us the proceeds from player purchases net of commission charges.	<ul style="list-style-type: none"> • ICBC • China Construction Bank • China Merchants Bank
Pre-paid game cards	Our pre-paid game cards are available from various distributors including internet cafes, convenience stores and a number of individual retailers. We sell pre-paid game cards to distributors on a wholesale basis. Distributors can order pre-paid game cards through our online sales system, and they are typically required to pay us upon purchase. Currently, depending on the purchase volume of any particular distributor, the wholesale discounts typically range from 4% to 6% of the face values of the pre-paid game cards.	<ul style="list-style-type: none"> • Nanjing Shengdeyi • Jinan Changchuan • Beijing Deqin • Individual resellers
Mobile carriers	In late 2012 we started to offer our PC game players the option of making payments through payment channels provided by mobile carriers. As a result, revenue collected by payment channels provided by mobile carriers, particularly China Mobile, accounted for an increasing percentage of our total revenue during the Track Record Period. For most of our mobile games, mobile carriers charge 30%-50% of the proceeds from player purchases as commission fees for acting as both distribution and payment channel. Mobile carriers typically have 90 days to transfer to us our share of the gross proceeds from players.	<ul style="list-style-type: none"> • China Mobile
Others	We offer our players various other payment channel options to enhance their payment convenience and flexibility. Others represent various third-party payment channel providers.	<ul style="list-style-type: none"> • Union Mobile Pay • 99Bill • Shenzhoufu • Alipay

Distribution of pre-paid game cards

To increase our player payment options and broaden our market coverage, we offer pre-paid game cards through various distributors, including internet cafes, convenience stores and individual retailers. The face values of our pre-paid game cards range from RMB20 to RMB200. Players who have purchased our pre-paid game cards may redeem them for our virtual currencies, which may be exchanged for our virtual goods. The expiry date of a pre-paid game card is printed on the back of the card and is generally two to two and a half years from the date of game card production. However, to earn players' goodwill, we generally do not enforce the expiry date and allow the redemption of expired pre-paid game cards. As advised by our PRC Legal Advisor, there is no PRC regulatory requirement on the expiry date of pre-paid game cards. For information about our revenue recognition policy regarding the sale and expiry of our pre-paid game cards, please see the section headed "Financial Information — Significant Accounting Policies and Estimates — Revenue Recognition" of this prospectus.

We sell pre-paid game cards to distributors on a wholesale basis. Distributors can order pre-paid game cards through our online sales system, and are typically required to pay us upon purchase. Pre-paid game card distributors are not our agents. Under our policies, distributors may not return pre-paid game cards to us after purchase. However, we allow defective game cards to be exchanged.

Currently, the minimum purchase amount per order is RMB3,000 for physical game cards and RMB1,000 for digital game cards. Depending on the purchase amount of any particular distributor, the wholesale discount currently ranges from 4% to 6% of the face value of the pre-paid game card. In 2011, 2012, 2013 and the three months ended 31 March 2014, the range of our wholesale discounts was 7%-11%, 7%-9%, 5%-9% and 4%-7%, respectively. We typically adjust the range of the wholesale discounts annually. In recent years, we have gradually decreased the wholesale discounts to control our payment channel costs.

Under our standard agreement with distributors, each distributor must abide by our pricing policies and may not increase or decrease the prices of our pre-paid game cards without our permission. Our agreements with distributors do not have fixed terms. We have the right to terminate any distributor for, among other things, breach of agreement, account inactivity or violation of law.

We select pre-paid game card distributors based on their marketing resources and capability. Our reliance on pre-paid game card distributors has been decreasing over the Track Record Period. We had 154, 135 and 67 pre-paid game card distributors for the years ended 31 December 2011, 2012 and 2013, respectively. The decrease in the number of pre-paid game card distributors is due to a gradual decrease in the popularity of pre-paid game cards as online payment services become more widely used in the PRC. As a result, revenue from pre-paid game cards as a percentage of the Group's total revenue decreased from 60.3% in 2011 to 20.9% in 2013 and further to 11.5% in the first quarter of 2014. For information on our revenue breakdown by payment channels, please see the section headed "Financial Information — Description of Major Components of Our Results of Operations — Revenue — Revenue by payment channels" of this prospectus. To the best of our Directors' knowledge, all distributors of our pre-paid game cards during the Track Record Period were independent third parties and were not funded by any connected persons of our Group or their respective associates.

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The following tables set forth our top five payment channels, revenue generated from these payment channels for the periods indicated and the other relevant information:

For the year ended 31 December 2011

Rank	Payment Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	Union Mobile Pay	15,652	10.2	Since 2006	Union Mobile Pay is a mobile payment service provider in China. Union Mobile Pay is an independent third-party payment channel provider.
2	Jinan Changchuan	12,138	7.9	Since 2005	Jinan Changchuan is a retailer of computer software. Jinan Changchuan is an independent third-party pre-paid game card distributor.
3	Beijing Deqin	12,059	7.8	Since 2011	Beijing Deqin is a retailer of computer software. Beijing Deqin is an independent third-party pre-paid game card distributor.
4	ICBC	10,781	7.0	Since 2004	ICBC is the largest commercial bank in China. ICBC is an independent third-party payment channel provider.
5	Cangzhou Yuanhang	7,598	4.9	Since 2006	Cangzhou Yuanhang is a retailer of computer equipment and peripherals. Cangzhou Yuanhang is an independent third-party distributor of our pre-paid game cards.

For the year ended 31 December 2012

Rank	Payment Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	Union Mobile Pay	18,693	9.1	Since 2006	See description above.
2	ICBC	16,560	8.0	Since 2004	See description above.
3	Nanjing Shengdeyi	10,557	5.1	Since 2007	Nanjing Shengdeyi is a retailer of computer equipment, software and peripherals. Nanjing Shengdeyi is an independent third-party distributor of our pre-paid game cards.
4	Harbin Ruili	8,901	4.3	Since 2007	Harbin Ruili is a retailer of computer equipment, software and peripherals. Harbin Ruili is an independent third-party distributor of our pre-paid game cards.
5	China Construction Bank	8,174	4.0	Since 2005	China Construction Bank is one of the largest commercial banks in China. China Construction Bank is an independent third-party payment channel provider.

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For the year ended 31 December 2013

Rank	Payment Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	ICBC	68,474	29.0	Since 2004	See description above.
2	China Mobile	60,898	25.8	Since 2004	China Mobile is the largest mobile carrier in China. It is an independent third-party payment channel provider.
3	Union Mobile Pay	13,068	5.5	Since 2006	See description above.
4	Individual A	8,351	3.5	Since 2006	Individual A is an independent third-party distributor of our pre-paid game cards.
5	99Bill	6,457	2.7	Since 2005	99Bill is an online payment platform in China. 99Bill is an independent third-party payment channel provider.

For the three months ended 31 March 2014

Rank	Payment Channel	Revenue (thousands of RMB)	% of Total Revenue (%)	Length of Relationship	Background
1	ICBC	34,371	37.0	Since 2004	See description above.
2	China Mobile	22,277	24.0	Since 2004	See description above.
3	Union Mobile Pay	5,260	5.7	Since 2006	See description above.
4	Individual A	2,609	2.8	Since 2006	See description above.
5	99Bill	2,215	2.4	Since 2005	See description above.

GAME DEVELOPMENT AND OPERATION

We have made significant investment in research and development throughout during the Track Record Period. Our research and development expenses represented 17.8%, 19.2%, 15.1% and 8.4% of our total revenue for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively. In addition, we capitalised part of the compensation for our research and development staff that was directly attributable to development activities as intangible assets, which represented 4.1%, 4.8%, 5.2% and 3.2% of our total revenue for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively.

From time to time we outsource development of certain non-core games to third parties developers. However, we develop most of our card and board games in house.

Research and Development Team

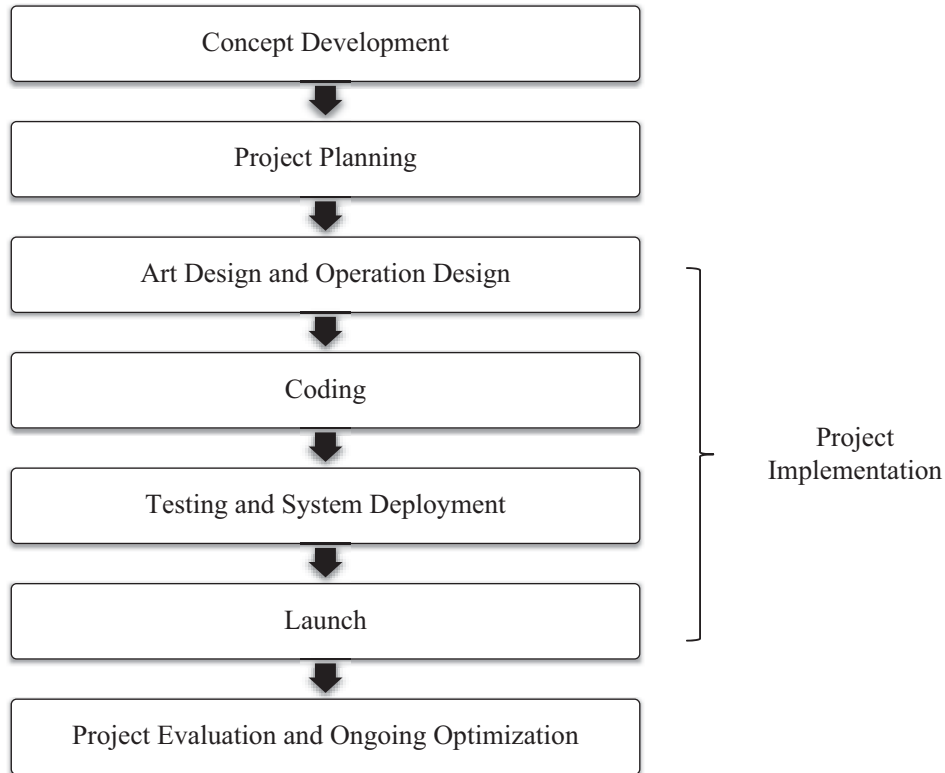
We have a strong in-house game development team. As of 31 March 2014, our research and development team had over 270 members and accounted for over 55% of our company's total employees. Among our developers, about 50% hold bachelor's or higher degrees in information technology related majors.

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Our development team is broadly divided into a PC department and a mobile department. Within each department, some developers focus on certain specific categories of games, and some developers focus on the underlying application and infrastructure. Our core titles have their dedicated development teams. In addition, we have separate departments that provide technical support, website building and maintenance, concept development and artistic design.

Game Development Process

We have a systematic game development process for creating and developing games. The development process for our new games can be divided into four general stages as illustrated in the diagram below:



Concept Development

We consider the latest trends and consumer demands in the online game market, as well as the needs of our business development, to generate ideas for new games. After an initial concept is formulated, we designate relevant business departments to fully develop the game concept. After carefully analysing consumer demand, market positioning, target player base and business prospects of the prospective game, as well as its relationships with our existing game portfolio and its potential competition in the market, the business departments will prepare an initial draft of the product development proposal, which may include preliminary art designs, core gameplay concepts and demonstrations. The proposal will be reviewed by our Product Management Committee, Project Management Office (“**PMO**”) and chief executive officer. If the proposal is approved by all reviewers, the PMO will appoint a project manager and commence the project planning stage.

Project Planning

The project manager will assemble a planning group in accordance with the PMO’s authorisation. The planning group will further analyse market demand and divide the project into job components. In collaboration and consultation with game development managers and technical experts, the planning group will propose a master

schedule and detailed implementation plans for the project. The planning group will then conduct a comprehensive feasibility study including initial performance metrics projections. Afterwards, it will conduct preparatory work for project implementation and prepare a project application form. Once the project application has been revised and approved by the PMO and a project review committee, the PMO will appoint a project manager and commence the project implementation stage.

Project Implementation

The project manager will organise a project group and formulate detailed development plans. Project implementation will go through several phases, including art design, operation design, coding, testing and system deployment. We have rigorous review and control procedures for each phase to ensure that development goals and quality standards are met before work proceeds to the next phase. The PMO is heavily involved in the entire implementation process. It will assign a supervisor for each project, assisting the project manager in complying with company rules and standards, identifying risks and resolving problems in a timely manner, as well as monitoring project status and advancing the project in accordance with schedules. The project supervisor will submit weekly reports to the PMO and update our executives with project progress. After system deployment is completed, the project group and all relevant departments will convene a launch review meeting. If approved, the new game will be officially launched and the project enters into the ongoing operation and optimisation stage.

Project Evaluation and Ongoing Optimisation

After a new game is launched, we will closely monitor its performance and promptly address any problems that may arise. We will also continually collect and analyse players' playing behaviours and consumption patterns. If a new game is running smoothly as designed three months after launch, we will conclude the development project. The project group will draft a final report summarising the work done and lessons learned. The PMO will evaluate the project manager and assess project implementation in accordance with key performance indicators defined during the project planning stage. For most of our games, we will release personnel and other resources after the project is concluded. For each of our major titles, however, a dedicated group of developers will continue to service and improve the product on an ongoing basis.

Quality Control

We have a quality control team of over 30 dedicated employees to ensure that our new games are both enjoyable and compatible with different cooperating systems and devices. Our quality control team members generally have extensive game testing or development experience. Our quality control team also systematically tests our licensed games and third-party operated games to ensure that they are up to our quality standards.

Game Upgrade

We frequently upgrade our released games, especially our core PC and mobile games to improve player experience. Our operation teams regularly submit game modification and upgrade proposals based on game performance, player behaviours and player feedback. Once an upgrade proposal is approved by our review committee, we will form a project group to plan and implement the upgrade.

Technology Infrastructure

Besides game development, we have invested heavily in the underlying game platform, our proprietary game development engine, and common optimised components and services. As a result we have laid a solid technological foundation for efficient and innovative game development.

Game Building Engine

We develop most of our online games with our proprietary building engine. With our open SDKs, we can develop new games and upgrade existing games in a streamlined manner and deploy them to different operating systems and distribution channels without separate development cycles. We have built a comprehensive series of common components servicing our large portfolio of games, which include technical backbones such as account management, billing, security, advertising engines and tournament engines, as well as front-stage add-ons such as chatting tools, avatars, bags and customer service. Not only do these common components increase the efficiency and reduce the costs of game development, they also ensure that our players will experience consistent and high-quality gameplay and service across different game titles and distribution channels. Our building engine is also capable of interweaving third-party games with our own servicing components, which provides a cost-effective way to build partnerships with independent developers.

Card and Board Game AI

Through years of research and live implementation, we have achieved deep understanding of AI algorithms for many card and board games. We have independently developed an AI algorithm library for card and board games. We use this library to refine our game designs and develop new games with sound game mechanics. For example, we launched a two-player Mahjong game *Talent Mahjong* in 2011. It uses fewer tiles than standard Mahjong and is a simpler and faster paced game suitable for casual playing on web pages and mobile devices. Our AI system can conduct real-time assessment and adjustment of playing levels, and mimic playing behaviours of real persons. Our advanced AI has allowed us to develop various single-player game components that were incorporated into some of our most popular titles such as *Fight the Landlord*, *Chinese Chess* and *Four-Party Military Chess*.

Server and Network Infrastructure

We have a self-developed network service engine that can be used as the basis for developing network server programmes throughout our development and operation departments. The engine is capable of handling high-bandwidth, large-volume network transmissions load balancing and request dispatches with excellent reliability, flexibility and scalability. We have built a cloud-based processing and storage system that can simultaneously connect a large number of players across different channels with low latency. Our powerful cache system can effectively backup and restore critical player data and support our data analytics engine. As of 31 March 2014, we owned 773 servers running different operating systems which were hosted in seven cities in China. The data centres are maintained for us by data centre providers under annually renewable leases and service agreements.

Acquisition of Game Intellectual Properties and Licenses

Although we primarily rely on our in-house game development team to build and expand our online game portfolio, we also selectively acquire game intellectual properties and licenses from third-party developers. These game intellectual properties and licenses primarily relate to non-card-and-board mobile games and MMOGs, which supplement our self-developed card and board games.

We have established internal procedures for the decision process relating to acquisition of game intellectual properties and licenses. When the relevant business department has identified a third-party game or license for potential acquisition, it will prepare an application form and submit it to our Project Management Committee for review. The application form is required to contain detailed qualitative and quantitative analysis in the following aspects:

- *Feasibility*: including how the game relates to our short-term and long-term development strategies, the game's market positioning, target users and their purchasing powers, competitions on the market, our own operational capabilities and regulatory requirements.

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- *Financial projections*: including projections of revenue, cost, profit, cash flows and payback period.
- *Internal resources entailed by the acquisition*: including virtual currency management resources, internal cross-promotion and external marketing resources, and website maintenance and customer service resources.
- *Project planning*: including project time table, department and personnel assignments and human resources analysis.

Only after the application has been approved by our finance department, legal department and chief executive officer, will we start implementation of the relevant game acquisition.

During the Track Record Period, we paid upfront license fees of RMB14.3 million for the acquisition of a number of PC and mobile games. The top three licensed games acquired during the Track Record Period accounted for RMB13.1 million, or 91.8%, of the total upfront license fees paid during the same period. We acquired the licenses for these top three games in June 2011, December 2012 and January 2013, respectively, and successfully launched them into the market and started to generate revenue within 15 months, six months and one month from their respective acquisition. The following table sets forth our capital expenditures relating to acquisition of game licenses, annual amortisation of such expenditures as well as our revenue after revenue sharing costs derived from these top three licensed games that we acquired during the Track Record Period for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March
	2011	2012	2013	2014
	(In thousands of RMB)			
Upfront license fees paid	2,500	2,600	8,000	—
Amortised upfront license fees	—	556	3,500	992
Revenue after revenue sharing costs from licensed games acquired during the Track Record Period ⁽¹⁾	—	1,050	3,718	1,478

Note:

(1) For information about our revenue-sharing agreements with the developers of licensed games, see the section headed “— Our Games — Licensed games” above.

Data Analytics

We have developed a comprehensive data analytics system that is capable of tracking and analysing players’ playing and consumption activities. This system enables us to achieve sophisticated understandings of players’ reactions to new features, preferences between different virtual goods and in-game privileges, as well as receptiveness to promotions and advertisements. Such insights in turn help us design carefully tailored strategies to maintain the optimal balance between attracting a broad base of players without compromising core gameplays and generating revenues by inducing the conversion of non-paying players and stimulating additional consumption by existing paying players.

Regulating Game Environment

We have established a set of user terms of service that sets out in clear detail our policies regarding player behaviours, resolution of player disputes and consequences of violating our user policies. We use various measures to regulate behaviours by players or third parties that may violate PRC laws and regulations and may have adverse effects on player experience.

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Our analytics system can automatically detect and block keywords in players messages that indicate offensive, abusive, obscene or otherwise unlawful languages. Our analytics system will also report user IDs with repeated violations of our policies and particular game rooms with high violation rates to our staff for further investigation. In addition to relying on technological measures, we also have a dedicated team of staff that monitors our game environment 24 hours a day, seven days a week. Our staff members will patrol the game rooms and handle player violations such as provocative languages and advertisements.

We utilise various methods to detect player cheating. In addition to reviewing abnormal player activities and unusual fluctuations in virtual game point balances, we allow players to report suspicious activities on our website, within Ourgame Hall, or by telephone, email and instant messaging services.

Once unlawful, abusive or cheating activities are detected and verified, we take a range of measures to correct the violations depending on their severity and the relevant accounts' track records, including deleting the offending messages, issuing warnings, and suspending or terminating the offending account. Our ability to effectively regulate the game environment enables us to consistently provide a pleasant user experience to all players.

Anti-Attack System

We have built a robust network security system to safeguard against distributed denial-of-service attacks and other types of malicious attacks. We have developed sophisticated monitoring tools and alert systems that are deployed 24 hours a day, seven days a week. We have also invested in built-in network infrastructure redundancy that eliminated single point of failure to ensure continued services. During the Track Record Period and the subsequent period up to the Latest Practicable Date, we had not experienced any significant network disruptions or incidents of hacker attacks. We have also implemented sophisticated measures to protect the safety of our players' account information, behavioural data and virtual transaction data. Player data are encrypted and protected by access control. They are also backed up with redundant copies including on remote servers to minimise the possibility of data loss.

OUR SUPPLIERS

Our major suppliers include companies that provide game licenses, game operation services for our licensed and self-developed games, game distribution and payment collection services and internet data centre services.

Game Licenses and Game Operation Services

In addition to our self-developed games, we operate online games licensed to us by third-party developers. We rely on these third-party developers to supply us game licenses. Under our revenue-sharing agreement with our largest game license provider, NHN Entertainment Corporation, we have 60 days to transfer to NHN Entertainment Corporation its share of the gross proceeds from players. In addition, we rely on certain third-party game operators to provide game operation services for our licensed games and self-developed games. Under our revenue-sharing agreement with our largest game operation service provider, Smile Game Co., Ltd. ("**Smile Game**"), we have 30 days to transfer to Smile Game its share of gross proceeds from players.

Game Distribution and Payment Collection Services

We utilize various third-party distribution channels to distribute our PC and mobile games. We have revenue sharing agreements with some of these third-party distribution channels. We recognize gross proceeds from player purchases as our revenue. A third-party distribution channel's share of the gross proceeds is recorded as our cost of revenue. See the section headed "**— Our Proprietary and Third Party Distribution Channels — Our Major Game Distribution Channels**" above. We also utilize various third-party payment channel providers to collect payments from our players. These payment channels charge us a percentage of the gross proceeds from player purchases as commission fees. We recognize gross proceeds from player purchases as our revenue. The

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commission fees charged by the payment channels are recorded as our cost of revenue. See the section “— Game Monetization — Our Payment Channels” above. China Mobile is an important supplier that provides us with both game distribution and payment collection services. Under our revenue-sharing agreement with China Mobile, China Mobile has 90 days to transfer to us our share of the gross proceeds from players.

Internet Data Centre Services

We utilise internet data centre providers for the services of bandwidth, electricity and hosting space. The terms of our agreements with these data centres are typically one year. We generally pay fixed service fees to these data centres on a monthly or semi-annual basis.

For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, the aggregate cost incurred from our top five suppliers were RMB25.3 million, RMB26.7 million, RMB39.9 million and RMB14.1 million, respectively, representing 54.4%, 48.4%, 50.0% and 45.5% of our cost of revenue in those periods, respectively. For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, our top supplier by purchase amount accounted for 18.1%, 14.3%, 25.4% and 22.6% of our cost of revenue in those periods, respectively. In 2011 and 2012, our top supplier was Smile Game, which provided game operation services for our licensed game *R2*. In 2013 and the first quarter of 2014, our top supplier was China Mobile, which provided game distribution and payment collection services for our PC and mobile games.

During the Track Record Period, none of our Directors or their associates or our Shareholders who, to the knowledge of our Directors, owns more than 5% of our issued share capital had any interest in any of the five largest suppliers.

PRICING

We price our virtual goods by taking into account various factors, including players’ level of discretionary income and purchasing habit, and the prices of similar virtual goods in comparable games offered by our competitors. The prices of our virtual goods generally remain stable, which promotes player loyalty.

OUR PLAYERS AND CUSTOMER SERVICE

Our Players

With our widely recognised brand further helped by high-profile combined online and offline tournaments, integrated online game platform and extensive portfolio of PC and mobile games, we have attracted a large and fast growing player base. The average MAUs for all our online games increased from 4.8 million in 2011 to 20.4 million in 2013 and further to 24.0 million in the first quarter of 2014. In particular, our mobile player base expanded significantly, with the average mobile MAUs for our top three mobile games increasing from 1.4 million in 2012 to 10.5 million in 2013 and further to 14.1 million in the first quarter of 2014. For the year ended 31 December 2013 and the three months ended 31 March 2014, the average MAUs for our mobile games exceeded the average MAUs for our PC games.

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The following table sets forth the average MAUs for our major game categories for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
	(in thousands)				
PC games					
— Fight the Landlord	916	2,179	3,222	3,115	3,354
— Mahjong	748	1,116	1,490	1,361	1,888
— Texas Hold'em	15	32	56	28	108
— Other games	3,107	4,396	5,126	5,118	4,486
PC total	4,786	7,723	9,894	9,622	9,836
Mobile games⁽¹⁾	—	1,361 ⁽²⁾	10,466	7,886	14,119
Total	4,786	9,084	20,360	17,508	23,955

Notes:

- (1) Included MAUs of three mobile games, *Tiantian Fight the Landlord*, *Talent Mahjong* and *Flying Ninja Cat*.
- (2) Represented average MAUs for the last three quarters of 2012. The company does not have measures of mobile MAUs before the second quarter of 2012 that are comparable to its current measures.

For our MPUs and ARPPU during the Track Record Period, see the section headed “Financial Information — Significant Factors Affecting Our Results of Operation — Ability to Accelerate Monetization of Our Players” in this prospectus. Due to the nature of our business, our five highest paying players in aggregate generate substantially less than 5% of our total revenue during the Track Record Period.

We target online card and board game players of all ages in China, with an emphasis on attracting players with high disposable income and players with a strong interest in card and board games. We believe that our integrated platform will help us cultivate similar loyalty in our fast growing player base of web and mobile games. Furthermore, according to the Analysys Report, compared to the overall Chinese card and board game player base, our players tend to be better educated and are more likely to be working professionals. Compared to the overall Chinese card and board game player base, we also have a substantially higher percentage of players between the ages of 25 and 40, who tend to have stable disposable incomes. Due to our established brand and integration of online and offline tournaments, we have attracted many highly skilled players in poker, Bridge, Chinese Chess, Four-Party Military Chess and other games.

Customer Service

Established within a few months of our company’s inception, our customer service department has accumulated over 15 years of experience assisting our players. Currently our customer service department consists of over 60 dedicated representatives, who provide both online and telephone services on a 24/7 basis.

Our players can ask questions, lodge complaints or submit suggestions in several convenient and flexible ways. Our 24-hour customer service hotline is staffed by four rotating teams of representatives. Players can also submit inquiries or complaints via an online form on our website, and under our customer service policy, our representatives will respond to such online inquiries or complaints within 24 hours. When players encounter any issues in Ourgame Hall, they can enter a virtual webmaster room to submit questions and complaints. Subscribers of our membership plans may directly submit complaints, such as reports of cheating and other suspicious activities, within Ourgame Hall. Non-members will be directed to the web form on our website. Furthermore, we have a team of dedicated representatives to provide customer service on the microblogging website Sina Weibo. They monitor player feedback, answer player questions and solicit player suggestions via Sina Weibo posts. In the event that any player question or complaint remains unresolved through the various channels described above, our senior customer representatives will reach out to and follow up with players via telephone.

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We have streamlined and standardized our service process with respect to common customer issues such as disputes between players, reports of suspicious activities and service requests. Upon receiving a player's telephone or online inquiry, our representatives will attempt to provide an initial answer. If an inquiry cannot be resolved by our customer service representatives, it will be submitted to a customer service supervisor. If necessary, our customer service team will report the issue to the relevant technical or operational department for confirmation and investigation. In some occasions, customer inquiries may be elevated to our senior management team.

We keep all inquiries submitted by email or web forms, summary information of telephone inquiries, as well as the resolution status of customer inquiries, in our records for at least two years. Players' telephone inquiries are recorded and stored in our computer system as audio files for a minimum of 180 days. In addition, our customer service representatives regularly call back a random sample of customers to confirm inquiry resolution status and survey customer satisfaction.

MARKETING AND PROMOTION

We implement various measures to market and promote our online games.

We organize a number of high profile combined online and offline tournaments to promote our online game platform. To attract the interest of players and media outlets, we have invited well-known international poker players to compete in the World Poker Tour events we have organized since 2012. See “— Our Combined Online and Offline Tournaments” above.

We regularly run promotional programs on our online platform. From time to time we give away virtual goods free of charge to attract players to play our games. We also conduct cross-promotion to induce our existing players to try our new games. During holidays and special events, we often introduce and promote commemorative virtual goods.

To promote our online card and board game tournaments, we award prizes to online tournament winners. Such prizes typically include pre-paid mobile cards, third-party online shopping vouchers, entrance passes to our offline card and board game events, and, occasionally during special promotions, electronic items such as tablet computers. The Company does not provide its online game players with the option of receiving cash in lieu of prizes.

COMPETITION

We compete primarily with other Chinese companies that operate online card and board games in a relatively fragmented market. Tencent is a comprehensive internet portal and has leveraged its large use base to build a successful online card and board game business. Other companies, including Bianfeng Games, Boyaa Interactive, Poker City and JJ World, primarily focus on online card and board games. Some popular card and board game categories, including Fight the Landlord and Mahjong, are offered by all these companies. All these competitors offer mobile games, and some of them also offer a PC client software similar to Ourgame Hall. Many of our distribution channels also distribute card and board games developed by our competitors. Furthermore, other online game companies that do not currently operate card and board games may enter this market in the future and become our direct competitors. We compete primarily on the basis of our highly recognised brand, integrated online game platform, large portfolio of engaging and long-lifespan games, ability to organise high-profile combined online and offline tournaments to promote our online games and extensive know-how in online card and board game development and operation.

INTELLECTUAL PROPERTIES

As of the Latest Practicable Date, we had 188 registered trademarks in the PRC and 12 registered trademarks in Taiwan, and we had 15 pending trademark applications in Hong Kong. In particular, our main trademark

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“Ourgame Club” was recognised by the State Administration for Industry and Commerce as a “China Famous Trade Mark”.

As of the Latest Practicable Date, we had 309 registered software copyrights in the PRC and three registered software copyrights in Taiwan.

As of the Latest Practicable Date, we had 28 registered domain names in the PRC.

Please refer to the section headed “Appendix IV — Statutory and General Information — Intellectual Property Rights of Our Group” for details of our material intellectual property rights.

We have received confirmation from our PRC Legal Advisor that as of the Latest Practicable Date we had not been subject to any material dispute, claims for infringement upon third parties’ trademarks, licenses and other intellectual property rights in the PRC.

We regard our proprietary software, domain names, trade names, copyrights, trademarks, trade secrets and similar intellectual properties as critical to our success. In particular, we have spent significant time and resources developing our card and board game artificial intelligence (AI) and our game development engine. We have taken steps to prevent the misappropriation of our proprietary technology, including registration of our existing online games for copyright and patent protection in China, registration of our domain names and entering into non-competition and confidentiality agreements with our key employees.

FACILITIES

As of the Latest Practicable date, not including properties that we used as registered addresses of our regional branches but did not actually use as office space, we leased an aggregate gross floor area of 5,018.39 square meters in Beijing, Xi’an and Nanjing, with lease expiry dates ranging from 30 September 2014 to 31 May 2017.

As of the Latest practicable Date, we did not own any property. The leased properties are used for non-property activities as defined under Rule 5.01(2) of the Listing Rules and are principally used as our office premises for our operations.

According to Chapter 5 of the Listing Rules and section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L), this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance which require a valuation report with respect to all our Group’s interests in land or buildings, for the reason that, as at 31 March 2014, none of the properties held or leased by us had a carrying amount of 15% or more of our consolidated total assets.

EMPLOYEES

As of 31 March 2014, we had 502 full-time employees, the majority of whom are based in Beijing. The following table sets forth the number of our employees by function as of 31 March 2014:

	Number of Employees	% of Total
Game development	279	55.6
Game operation	140	27.9
General and administration	83	16.5
Total	502	100.0

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As of the Latest Practicable Date, we had 524 full-time employees.

We offer competitive compensation packages to attract talented employees. We also encourage and incentivise our employees to refer experienced game developers and operators. We provide comprehensive training to our new hires. Our experienced employees in relevant teams will provide junior employees with ongoing personalised training.

As required by PRC regulations, we participate in various employee benefit plans that are organised by local governments, including housing pension, medical and unemployment benefit plans. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local governments from time to time. Bonuses are generally discretionary and based on the overall performance of our business. The shareholders of Lianzhong made share-based compensations to certain employees and we recognised RMB1.0 million and RMB490 thousand for the years ended in 31 December 2012 and 2013 respectively. On 20 February 2014, we granted options to three senior executives, Mr Yang Eric Qing, Mr Ng Kwok Leung Frank and Mr Zhang Peng to purchase ordinary shares of the Company that will represent approximately 6% of our issued capital after the completion of this Global Offering. We recognised share-based compensation expenses of RMB3.1 million for the three months ended 31 March 2014.

We have established an employee association that represents employees with respect to promulgation of bylaws and internal protocols. As of 31 March 2014, 441 or approximately 88% of our employees were members of the employee association. Such employee association does not represent employees for the purpose of collective bargaining. We believe that we maintain a good working relationship with our employees and we did not experience any significant labour disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

We enter into standard employment contracts with most of our executive officers, managers and employees. These contracts typically include a confidentiality provision effective during and after their employment with us.

INSURANCE

We maintain social insurance for our employees in the PRC in accordance with applicable laws of the PRC and requirements from competent local authorities. We and the employees share the payments of insurance premiums in such proportions as regulated by applicable PRC laws.

We have not taken out any insurance to cover our main business operations in the PRC, which is in line with customary industry practice in China based on public information available to us relating to Chinese online game companies. See the section headed “Risk Factors — Risks relating to our business or our industry — We have limited business insurance coverage in China” in this prospectus.

RISK MANAGEMENT

We have adopted and implemented risk management policies and corporate governance measures in various aspects of our business operations such as financial reporting, information risk management, and human resources management.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. Our finance team is headed by our chief financial officer, who has extensive experience in public company financial reporting. Other senior members of our finance department are all experienced in finance and accounting.

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Information Risk Management

We have adopted measures to protect user data accumulated on our platform and prevent technical issues in our network infrastructure and information technology system. Our information security team is responsible for protecting user data and ensuring the stability of our network infrastructure and information technology system.

Human Resource Risk Management

We have established internal control policies covering various aspects of human resource management such as recruiting, training, work ethics and legal compliance. We adopt high standards in recruitment with strict procedures to ensure the quality of new hiring. We provide specialised trainings tailored to the needs of our employees in different departments. Our employee handbook contains internal rule and guidelines regarding best commercial practice, work ethics and the prevention of fraud, negligence and corruption. Our employees are required to provide a written confirmation that he or she understands and is committed to observing the requirements set forth in our employee handbook. We have also made available an anonymous reporting channel through which potential violation of our internal policies, fraud or illegal acts at all levels of the Company can be timely reported to the management and appropriate measures can be taken to minimise damage.

Corporate Governance Measures

After the Listing, we will establish a risk management committee on our Board to oversee the internal control and risk management systems of our Group, and an audit committee on our Board to provide an independent view of the effectiveness of the financial reporting process and to oversee the audit process.

Ongoing Measures to Monitor the Implementation of Risk Management Policies

Our risk management committee, audit committee and senior management will monitor the implementation of our risk management policies across the Company on an ongoing basis to ensure that our internal control system is effective in identifying, managing and mitigating risks involved in our operations.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Adviser, King & Wood Mallesons, has advised us that, during the Track Record Period and the subsequent period up to the Latest Practicable Date, we had obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in the PRC and such licenses, approvals and permits remained in full effect, and no circumstances existed that would render their revocation or cancellation except that we have not obtained pre-approvals from GAPP in respect of the publication and operation of 35 games (please refer to the section headed “— Compliance” of the Prospectus for details). The following table sets forth details of our material licenses and permits, all of which are held by our PRC consolidated affiliate Lianzhong.

License/Permit	Granting Authority	Grant Date	Expiry Date
ICP License	Beijing Communication Administration	6 August 2013	9 April 2018
VATS License	MIIT	10 July 2013	10 September 2014
License of Message Service	MIIT	1 February 2013	10 September 2014
Internet Cultural Business License	Beijing Culture Bureau	25 November 2013	30 June 2015
Internet Publishing License	GAPP	16 March 2011	31 December 2014

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Our VATS License and License of Message Service will expire in September 2014 and our Internet Publishing License will expire in December 2014. In accordance with the Telecom License Measure, a holder of the VATS License shall submit a renewal application to the authority that has issued such license no less than 90 days before the expiry date of such license. There is no explicit regulatory requirement as to when the renewal application for the License of Message Service or the Internet Publishing License shall be submitted. We have already submitted applications to the MIIT for the renewal of our VATS License and our License of Message Service. Based on our discussion with the GAPP, We plan to submit an application to the GAPP for the renewal of our Internet Publishing License no less than three months prior to the expiry date of our Internet Publishing License. As confirmed by our PRC Legal Advisor, we do not foresee any legal or practical impediment to the renewal of any of such licenses, approvals and permits.

LEGAL PROCEEDINGS AND COMPLIANCE

No member of our Group is currently engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company's results of operations or financial condition.

We have not experienced any non-compliance which, in the opinion of our Directors, is likely to have a material adverse effect on our business, financial condition or results of operations. Our PRC Legal Advisor has advised us that, during the Track Record Period and the subsequent period up to the Latest Practicable Date, except for the incidents disclosed below, we had complied with applicable PRC laws and regulations in all material respects and were not subject to any material administrative penalties for any non-compliance with PRC laws.

Our PRC Legal Advisor is of the view that we have fully complied with, and our online games do not constitute gambling activities prohibited under, the Notice on Regulating Operation Order of Online Games and Inspection of Gambling via Online Games (《關於規範網絡遊戲經營秩序查禁利用網絡遊戲賭博的通知》) and the Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》), and that we have not conducted any of the prohibited acts thereunder in our operation of online games and have not offered or promoted our online games as a tool for gambling.

Based on review of the Company's in-game policies and the related control measures as well as the Company's internal control report and the advice provided by the Company's PRC Legal Advisers, the Sole Sponsor is of the view that these policies and measures are adequate and effective in preventing online gambling activities by trading gambling credits outside of its online platform through agents.

In addition, the Stock Exchange's announcement on "Gambling Activities Undertaken by Listing Applicants and/or Listed Issuers" issued in 2003 (which was reproduced under the Stock Exchange's Guidance Letter 71-14) discussed requirements applied to listing applicants or listed issuers which are engaged in activities contrary to the Gambling Ordinance (Chapter 148 of the Laws of Hong Kong) (the "Gambling Ordinance") or not lawful under the Gambling Ordinance. We engaged a Hong Kong senior counsel to advise us regarding the Gambling Ordinance. Based on the opinion of the Hong Kong senior counsel, we are of the view that our business operations should not be considered to be in violation of the Gambling Ordinance or other gaming or gambling laws or regulations in Hong Kong.

During the Track Record Period, we had the following incidents of non-compliance:

Non-compliance with the Pre-approval Requirement for Changing Shareholders

The VATS License held by Lianzhong Computer, the predecessor of Lianzhong, provides that the license holder shall obtain the MIIT's pre-approval before it changes its shareholders. On 2 December 2010, the two

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shareholders of Lianzhong Computer, Haihong Holdings Limited and Mr Bao Yueqiao, transferred a total of approximately 68% of the issued share capital of Lianzhong Computer to Wildwolf Investment Consultant Limited without first reporting to the MIIT. Under the Measures for the Administration of Telecommunications Business License (《電信業務經營許可管理辦法》) promulgated by the MIIT, a telecommunications service provider shall comply with the requirements provided in its business license. Lianzhong Computer received a letter from the MIIT dated 20 July 2011, which admonished Lianzhong Computer for its non-compliance with the pre-approval requirement and imposed a fine of RMB5,000. Upon receiving the letter, Lianzhong Computer promptly paid the fine of RMB5,000 to the MIIT on 11 August 2011. As of the Latest Practicable Date, Lianzhong had passed the most recent annual inspections with respect to its VATS License and ICP License.

To the best knowledge of the Company and its Directors, the reason for the non-compliance described above was that, at the relevant time, the said two shareholders of Lianzhong Computer were not familiar with the relevant regulatory requirement. None of the directors or senior management set out in the section headed “Directors and Senior Management” in this prospectus were involved in this non-compliance incident.

Our PRC Legal Advisor has advised us that the pre-approval requirement with respect to changing shareholders only applies to limited liability companies such as Lianzhong Computer. As a joint stock limited company, Lianzhong is not subject to this requirement under current PRC regulations.

Non-compliance with the Pre-approval and Filing Requirements for Online Games

Under the GAPP Online Game Notice, online games shall not be uploaded to and published on the internet without pre-approval by the GAPP. Otherwise, the GAPP will notify the relevant local press and publication authorities to stop the operation of these games and carry out investigations and impose penalties in accordance with law. The GAPP Online Game Notice does not specify what penalties may be imposed.

Under the Online Game Measures, with respect to online games that are developed in the PRC, game operators shall file with the MOC within 30 days after these games are uploaded to the internet and put into operation. Otherwise, the relevant local culture authorities may issue a rectification order and impose a fine of up to RMB20,000 per game.

As of the 31 March 2014, out of the 219 games that we were operating, we were still in the process of obtaining approvals from the GAPP for 35 of our online games and for which we failed to make the requisite filings with the MOC within 30 days after they were uploaded to the internet and put into operation. In December 2013, we submitted applications for approval of the publication of the aforementioned 35 games to the Beijing Press and Publication Bureau. On 27 February 2014, the Beijing Press and Publication Bureau approved our publications of all of these 35 games, and submitted our applications to the GAPP for further approval. Subsequent to 31 March 2014, we suspended the operation of one of these games for a major upgrade, and withdrew our application for approval to the GAPP with respect to this game. Based on our past experience, we expect to obtain the GAPP’s approval for the other 34 games by June 2014.

On 5 March 2014, we filed with the Beijing Culture Bureau regarding the publication of these 35 games. Our PRC Legal Advisor has advised us that the Online Game Measures only stipulate that online games shall be filed with the MOC within 30 days after the date of online operation and do not impose any time limit on the MOC for the completion of the filing. On 24 April 2014, the MOC approved our filings of all 34 games currently in operation.

Furthermore, we have enhanced internal policies to strengthen our internal control over ongoing compliance with applicable laws and regulations. We aim to strictly comply with the GAPP’s pre-approval requirement and the MOC’s filing requirement in the future. According to our current internal control procedures, our in-house legal department will review and monitor the status of all licenses and permits for a game that is under development to

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ensure that all such requisite licenses and permits will be obtained subject to the relevant regulatory requirements, including obtaining pre-approval from the GAPP and filing with the MOC in a timely manner. Our co-CEOs are responsible for ensuring that our new online games will comply with the applicable rules and regulations. For more details of our internal control procedures, see “— Internal Control Over Business Operations” below.

Non-materiality of non-compliance

Our Directors and PRC Legal Advisor are of the opinion that our non-compliance with the GAPP pre-approval requirement and the MOC’s filing requirement for the aforementioned 35 games is not material for the reasons described below.

Our PRC Legal Advisor has advised us that the potential maximum penalty we may face for not obtaining pre-approval from the GAPP before uploading and publishing the aforementioned 35 games is an order by the relevant regulatory authorities to stop operating these 35 games. Because the Beijing Press and Publication Bureau has approved their publication, our Directors and our PRC Legal Advisor are of the opinion that the likelihood of us being penalized by the GAPP for this non-compliance is extremely remote. Furthermore, these 35 games, all of which were launched in 2013, only accounted for approximately 4.9% of our total revenue for the year ended 31 December 2013. Our PRC Legal Advisor has advised us the potential maximum penalty for not filing with the MOC within 30 days after uploading and operating the aforementioned 35 games is a fine of no more than RMB20,000 per game, or no more than RMB700,000 in total, which represents less than 0.5% of our revenue for the year ended 31 December 2013. More importantly, the MOC has approved the filings of all our games currently in operation without imposing any penalty. Therefore, our Directors are of the opinion that in the unlikely event that we should be penalized by the GAPP or the MOC, our business, financial condition or results of operation would not be materially and adversely affected.

According to a letter issued to us by the Beijing Press and Publication Bureau on 10 January 2014, the bureau was of the view that, since 1 January 2011, Lianzhong had complied with state and local regulatory requirements relating to internet publication, and had not been penalized due to violation of laws or regulations relating to internet publication. Similarly, according to a letter issued to us by the Beijing General Department of Culture Market Administrative Law Enforcement on 20 January 2014, the department was of the view that, from 1 January 2011 to 31 December 2013, Lianzhong had not been penalized by the department or local culture commissions due to violation of laws or regulations relating to online games and internet culture services.

Given that (i) we have obtained approvals for publication of these 35 games from the Beijing Press and Publication Bureau and obtained approval from the MOC for the filings of all 34 games currently in operation without being imposed any penalties, and (ii) we received a letter from the Beijing Press and Publication Bureau and a letter from the Beijing General Department of Culture Market Administrative Law Enforcement in January 2014 confirming our compliance with relevant laws and regulations during the Track Record Period, we have not made any provisions for potential penalties. See the section headed “Risk Factors — Risks Related to Conducting Business in the PRC — We have not complied with the pre-approval requirement of the GAPP and the filing requirement of the MOC for 35 games, which may subject us to penalties and adversely affect our business” in this prospectus.

INTERNAL CONTROL OVER BUSINESS OPERATIONS

We have adopted internal procedures to ensure regulatory compliance in our business operations in the PRC. Under these procedures, our in-house legal department is responsible for monitoring the regulatory environment and developments in local laws and regulations to support our business expansion in our existing and future target markets. Our in-house legal department will collect and study the relevant laws and regulations in the PRC and our other target markets relating to our business operation on a regular basis, in order to ensure regulatory

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compliance of our business operations. It will examine the contract terms and all relevant documents, including the licenses and permits obtained by the counterparties and all the necessary underlying due diligence materials, before we enter into any contract. Our in-house legal department will also follow our internal procedures and actively apply for registration for trademark, copyright or patent for new games. We have also implemented internal control measures to prevent the infringement of third-party intellectual property rights. If we need to use intellectual property provided by a third party, our business cooperation department will collect information about the source of the relevant intellectual property to ascertain that the third party is legally entitled to granting us the right to use the intellectual property. Furthermore, before a new game is published on the internet, the relevant project team must prepare a publication review form and submit it to our in-house legal department for review (including with respect to any intellectual property rights issues) and other relevant departments for approval.

In addition to the general control measures mentioned above, we have established detailed internal review procedures to ensure that our online games have complied with the applicable rules and regulations in the PRC before they are published on the internet. In accordance with our internal control policy, after our business departments have completed development of a new game, they must submit the game to our dedicated personnel for internal reviews before the game can be uploaded to the internet for publication and operation. Our co-CEOs are responsible for ensuring that our new online games will comply with the applicable rules and regulations.

With respect to our new self-developed games, before publication on the internet, our in-house legal department will ascertain that we have obtained pre-approvals from the GAPP, and will coordinate with our business departments to prepare all documents that are necessary for filing with the MOC. After our new games are published on the internet, our in-house legal department will ensure that we file with the MOC within 30 days. With respect to licensed games and third-party operated games, we will require the third-party game developers to provide proof of pre-approval by the GAPP before publication and to provide proof of filing with the MOC after publication.

In addition, our in-house legal department will conduct ongoing compliance review of our existing games. According to our internal control policy, on a monthly basis, our dedicated internal review personnel will update the lists of approval, license and filing numbers relating to the operation of our online games and confirm with our business departments the timetable for the publication of new games.

To ensure the proper implementation of our Contractual Arrangements with Lianzhong, our external PRC legal counsel will regularly monitor new developments in relevant PRC laws and regulations. Our independent non-executive Directors will periodically review the performance of the Contractual Arrangements.

Furthermore, the Directors are of the view that we have established procedures, systems and controls that provide a reasonable basis for the Directors to make a proper assessment of the financial conditions and prospects of the Group on an ongoing basis.

Internal Control Consultant

To enhance our internal control over business operation as well as in connection with the Listing, we have engaged an independent internal control consultant since December 2013.

The selected areas of the Group's internal controls reviewed by the internal control consultant included (i) Lianzhong's entity level controls including control environment, risk assessment, information and communication, monitoring, anti-cheating programs and general controls of information systems and (ii) Lianzhong's business process level controls including revenue and receivables, purchase and payables, information security and intellectual property rights, financial management, financial reports, fixed and intangible assets, human resources, taxation, investment, legal management and research and development.

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The internal control consultant has made no material adverse findings. The internal control consultant has confirmed that our internal control procedures are adequate to ensure the compliance with the GAPP pre-approval and the MOC filing requirements, and our enhanced internal control procedures are capable of preventing future non-compliance with these regulatory requirements if implemented consistently.

Our Directors are of the view that we have adequate internal control procedures in place for purpose of Rule 3A.15(5) of the Listing Rules.

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Background

The principal operating entity in our Group is Lianzhong, which was incorporated under the laws of the PRC. To comply with relevant PRC laws, our online card and board game businesses are conducted by Lianzhong. The WFOE in turn supervises the business operations of Lianzhong and derives the economic benefits from Lianzhong. Lianzhong holds the requisite PRC permits, licenses and approvals for developing and operating online games. Most of our intellectual property rights, including software copyrights, trademarks, patents and domain names, are held by Lianzhong. In addition, Lianzhong holds certain licenses and permits that are essential to the operation of our business, including the ICP License, the VATS License, the Internet Cultural Business License and the Internet Publishing License.

Lianzhong also recently began to operate a limited number of combined online/offline gaming events, such as a World Poker Tour sanctioned event in Sanya in 2013 (the “**Combined Events**”). The Combined Events are held by way of online tournament on Lianzhong’s online game platform to determine the contestants eligible to participate in the final stages of the tournament, which are conducted offline. The Company views its Combined Events primarily as a means by which it can promote its brand and increase usage of its online game services.

Investment activities in the PRC by foreign investors are mainly governed by the Guidance Catalogue of Industries for Foreign Investment (《外商投資產業指導目錄》) (the “**Catalogue**”), which was promulgated and is amended from time to time jointly by the MOFCOM and the NDRC. The Catalogue divides industries into four categories in terms of foreign investment, including “encouraged”, “restricted” and “prohibited”, and all industries not listed under any of these categories are deemed to be “permitted”. As confirmed by our PRC Legal Advisor, according to the Catalogue, the online game business that the Company currently operates falls into the value-added telecommunications services and the internet cultural business categories, which are considered “restricted” and “prohibited”, respectively.

On 11 December 2001, the State Council promulgated the Regulations for the Administration of Foreign-Invested Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “**FITE Regulations**”), which were amended on 10 September 2008. According to the FITE Regulations, foreign investors are not allowed to hold more than 50% of the equity interests of a company providing value-added telecommunications services. In addition, a foreign investor who invests in a value-added telecommunications business in the PRC must demonstrate a good track record and prior experience in providing value-added telecommunications outside the PRC prior to acquiring any equity interests in any value-added telecommunications services business in the PRC (the “**Qualification Requirement**”). Currently, none of the applicable PRC laws, regulations or rules provides clear guidance or interpretation on the Qualification Requirement. The MIIT has issued on its website a guidance memorandum on the application requirement for establishing foreign-invested value-added telecommunications enterprises in the PRC. According to this guidance memorandum, an applicant is required to provide, among other things, the applicant’s annual reports for past three years, proof of Qualification Requirement and a business development plan. The guidance memorandum does not provide any further guidance on the proof, record or document required to support the proof satisfying the Qualification Requirement. Further, this guidance memorandum does not purport to provide an exhaustive list on the application requirement. Our PRC Legal Advisor has advised us that (i) this guidance memorandum, as it has not been officially promulgated by the MIIT, is subject to further confirmation and interpretation by the MIIT, and (ii) no applicable PRC laws, regulations or rules have provided clear guidance or interpretation on the Qualification Requirement.

Despite the lack of clear guidance or interpretation on the Qualification Requirement, we have been gradually building up our track record of overseas telecommunications business operations for the purposes of being qualified, as early as possible, to acquire the entire equity interests of Lianzhong when the PRC laws allow foreign investors to invest in value-added telecommunications enterprises in China. To expand our overseas value-added telecommunications business, we have established a Hong Kong subsidiary, Lianzhong Hong Kong, which will serve as the main control hub of our overseas business and will be responsible for

- negotiating and executing contracts for international business cooperation, such as contracts for the distribution of our online games in overseas markets;

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- investing in or acquiring overseas online game developers and other value-added telecommunications service providers;
- holding our overseas intellectual property rights and licensing our intellectual property rights to international partners; and
- recruiting overseas game developers and managers, and acting as the direct employer of our personnel based outside the PRC.

We, through Lianzhong Hong Kong, recently entered into a cooperation agreement with the Partner's Club, whose president, Mr José Damiani, is the President of the International Mind Sports Association and a long-serving ex-President of the World Bridge Federation. Under our agreement with the Partner's Club, we will work together to promote duplicated Texas Hold'em around the world and explore the feasibility of establishing an international duplicated Mahjong organisation. The Partner's Club will also help to promote our Bridge services and tournaments around the world. In addition, Lianzhong Hong Kong is currently in discussions with three major online game developers/publishers in Japan, Taiwan and Korea regarding potential cooperation.

We expect that the aggregate expenditures incurred and to be incurred for taking the steps mentioned above will be approximately RMB4,000,000 in 2014, of which approximately RMB784,000 has been paid as of 17 April 2014. We will disclose other progress of our overseas expansion plans and any updates to the Qualification Requirement in our annual and interim reports to inform the public investors after the Listing.

On 13 July 2006, the MIIT issued the Notice on Strengthening the Administration of Foreign Investment in Operating Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the "MIIT Notice"). The MIIT Notice reiterated the regulations on foreign investment in telecommunications businesses, which require foreign investors to set up foreign-invested enterprises and obtain a VATS License. Under this circular, a domestic company that holds a VATS License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors that conduct value-added telecommunications business illegally in China. Furthermore, the relevant trademarks and domain names that are used in the value-added telecommunications business must be owned by the local VATS License holder. The circular further requires each VATS License holder to have the necessary facilities for its approved business operations and to maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and information security in accordance with the standards set forth under relevant PRC regulations. If the VATS License holder fails to comply with the requirements in the MIIT Notice and fails to remedy its non-compliance within a specified period of time, the MIIT or its local branches may take measures against such license holder, including revoking its VATS License.

On 7 September 2009, the State Commission Office for Public Sector Reform issued the Notice on Circulating the Interpretation of the State Commission Office for Public Sector Reform on Some of the Articles in the "Three Provisions" for Ministry of Culture, State Administration of Radio, Film and Television and General Administration of Press and Publication Concerning Animated Games, Online Games and Comprehensive Law Enforcement in the Culture Market (《關於印發《中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網路遊戲和文化市場綜合執法的部分條文的解釋》的通知》), which stipulates that: (1) administration power over online games (other than pre-examination and approval before internet publication of online games) is granted to the MOC; (2) subject to the MOC's overall administration, the GAPP is responsible for the pre-examination and approval for internet publication of online games; and (3) once games are online, the online games shall be exclusively administered and regulated by the MOC.

On 28 September 2009, the GAPP, together with the National Copyright Administration and the National Office of Combating Pornography and Illegal Publications, jointly issued a Notice on Further Strengthening of the Administration of Pre-examination and Approval of Online Games and the Examination and Approval of

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Imported Online Games (《關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網路遊戲前置審批和進口網路遊戲審批管理的通知》) (the “GAPP Notice”). Article IV of the GAPP Notice expressly prohibits foreign investors from controlling or participating in online game operating businesses directly or indirectly via wholly-owned enterprises, equity joint venture or cooperative joint venture investments or via contractual or technical support arrangements in the PRC.

Because foreign investment in the industry in which we currently operate is subject to certain restrictions under current PRC laws and regulations, we determined that it was not viable for the Company to hold Lianzhong directly through equity ownership. Instead, we decided that, in line with common practice in industries which are subject to foreign investment restrictions in the PRC, the Company would gain effective control over, and receive all the economic benefits generated by the business currently operated by Lianzhong and its subsidiaries through a series of contractual arrangements between the WFOE, the Company’s wholly-owned subsidiary on the one hand, and Lianzhong and its shareholders on the other hand (the “**Contractual Arrangements**”). The Contractual Arrangements allow Lianzhong’s financials and results of operations, together with those of its subsidiaries, to be consolidated into our financials as if it was a wholly-owned subsidiary of our Group.

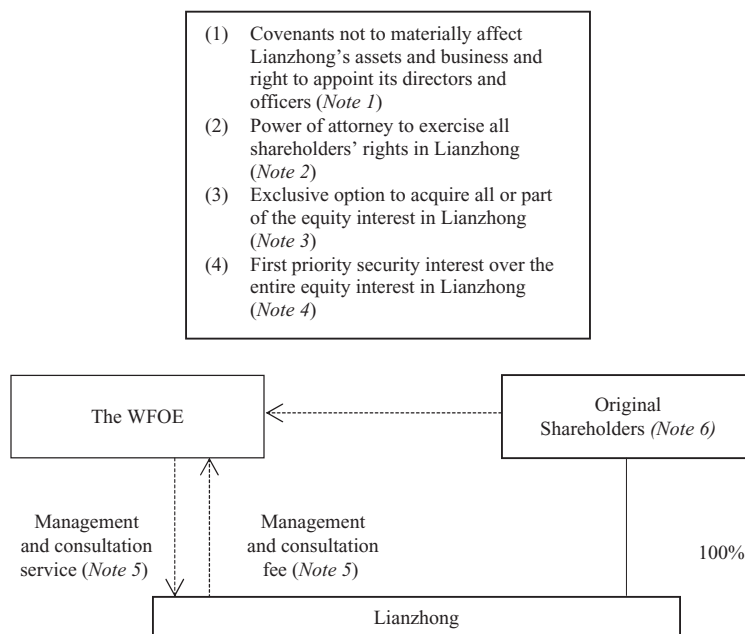
In order to comply with PRC laws and regulations while maintaining effective control over all of our operations, we commenced a series of reorganization activities in 2013. Pursuant to the Reorganization, the Company became the indirect holding company of the WFOE and the Contractual Arrangements were entered into on 28 January 2014, whereby the WFOE acquired effective control over the financial and operational policies of Lianzhong and became entitled to all the economic benefits derived from the operations of Lianzhong and its subsidiaries through the Contractual Arrangements. We believe that the Contractual Arrangements are narrowly tailored as they are used to enable the Group to conduct businesses in industries that are subject to foreign investment restrictions.

Our Directors believe that the Contractual Arrangements are fair and reasonable because (i) the Contractual Arrangements were freely negotiated and entered into by the WFOE and Lianzhong; (ii) by entering into the Exclusive Business Cooperation Agreement with the WFOE, Lianzhong will enjoy better economic and technical support from us, as well as better market reputation after the Listing, and (iii) a number of other companies use similar arrangements to accomplish the same purpose. We confirm Lianzhong will only engage in online game development and operations in the PRC that are subject to foreign investment restrictions under the relevant laws and regulations. Please refer to the section headed “History, Reorganization and Corporate Structure” for more details of the Reorganization.

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Contractual Arrangements

The following simplified diagram illustrates the flow of economic benefits from Lianzhong to our Group stipulated under the Contractual Arrangements:



Notes:

1. Please refer to the section headed "Contractual Arrangements – Business Cooperation Agreement" of this prospectus for details.
2. Please refer to the section headed "Contractual Arrangements – Proxy Agreement and Power of Attorney" of this prospectus for details.
3. Please refer to the section headed "Contractual Arrangements – Exclusive Option Agreement" of this prospectus for details.
4. Please refer to the section headed "Contractual Arrangements – Share Pledge Agreement" of this prospectus for details.
5. Please refer to the section headed "Contractual Arrangements – Master Exclusive Service Agreement" of this prospectus for details.
6. Original Shareholders are Mr Zhang, Mr Liu, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan.
7. " ————— " denotes direct legal and beneficial ownership in the equity interest and " -----> " denotes contractual relationship.

Master Exclusive Service Agreement

Lianzhong entered into a master exclusive service agreement with the WFOE on 28 January 2014 (the “**Master Exclusive Service Agreement**”), pursuant to which, in exchange for a quarterly service fee, Lianzhong agreed to engage the WFOE as its exclusive provider for the following services:

- providing technology development and transfer, and technical consulting services;
- providing occupation and pre-occupation staff training services;
- providing public relation services;
- providing market investigation, research and consulting services;
- providing mid or short-term market development and market planning services;
- providing human resource management and internal information management;
- providing network development, upgrade and daily maintenance;
- providing sale services of self-produced products;

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- licensing of software;
- providing maintenance services in respect of computer software and hardware system, database and computer servers;
- providing maintenance and upgrade services in respect of the online games;
- providing training services in respect of online game technology and operations;
- providing research and development services in respect of online game software and maintenance of the system;
- selling and authorising Lianzhong to license software, and
- other services determined from time to time by the WFOE according to the need of business and capacity of the WFOE and its designated affiliates.

Under the Master Exclusive Service Agreement, the service fee is equal to 100% of the consolidated net profits of Lianzhong. The WFOE may adjust the service fee at its sole discretion with reference to the working capital requirements of Lianzhong and in accordance with several factors relating to the services provided, including (i) technical difficulty and complexity of the services; (ii) time spent in providing the services; (iii) contents and commercial value of the services; and (iv) the benchmark price of similar services in the market. Since Lianzhong's funding requirements are satisfied by their residual operating cash after paying the service fee to the WFOE, we do not expect to transfer any net proceeds from the Global Offering to Lianzhong. The Company's PRC Legal Advisor is of the opinion that such payment of service fees is not subject to any legal or regulatory requirements in the PRC and does not violate any PRC laws.

Intellectual property rights are developed during the normal course of business of Lianzhong since its daily operations involve, among other things, research and development and game development. Pursuant to the Master Exclusive Service Agreement, any intellectual properties developed by performance of the Master Exclusive Service Agreement, including but not limited to copyrights, trademarks, patents, technical secrets and knowhow, belong to the WFOE. If a development is based on the intellectual properties owned by Lianzhong, Lianzhong shall warrant and guarantee that such intellectual properties are flawless and it shall bear all damages and losses caused to the WFOE by any flaw of such intellectual properties. The WFOE has the right to recover all of its losses from Lianzhong for liabilities to any third party. Our PRC Legal Advisor is of the opinion that (i) such provision relating to the intellectual properties will not result in these agreements being challenged by the relevant government authorities in the PRC; (ii) it is legal for the WFOE to hold the intellectual property rights developed by performance of the Master Exclusive Service Agreement; and (iii) that Lianzhong is in full compliance with the requirements of the Administrative Measures for the Licensing of Telecommunication Business Operations (電信業務經營許可管理辦法) and the MIIT Notice.

The Master Exclusive Service Agreement can be terminated by the WFOE at any time upon 30 days' written notice to Lianzhong. The Master Exclusive Service Agreement shall also terminate upon the transfer of all the shares of Lianzhong to the WFOE and/or a third party designated by the WFOE pursuant to the Exclusive Option Agreement.

Business Cooperation Agreement

Lianzhong, its shareholders and the WFOE entered into a business cooperation agreement on 28 January 2014 (the "**Business Cooperation Agreement**"). Under the Business Cooperation Agreement, Lianzhong and its shareholders, jointly and severally, agree and covenant that, without obtaining the WFOE's written consent, Lianzhong shall not, and Lianzhong's shareholders shall cause Lianzhong not to, engage in any transaction which may materially affect its asset, obligation, right or operation, including without limitation:

- any activities not within its normal business scope, or operating its business in a way that is inconsistent with its past practice;

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- merger, reorganization, acquisition or restructuring of its principal business or assets, or acquisition or investment in any other form;
- offering any loan to any third party, incurring any debt from any third party, or assuming any debt other than in the ordinary course of business;
- engaging, changing or dismissing any director or any senior management officer;
- selling to or acquiring from any third party, mortgaging, licensing or disposing of in other ways tangible or intangible assets, other than in the ordinary course of business;
- incurring, inheriting, assuming or guaranteeing any debt that are not incurred during the ordinary course of business, using its assets to provide security or other forms of guarantees to any third party, or setting up any other encumbrances over its assets;
- making any supplement, amendment or alternation to its articles of association and by-laws, increasing or decreasing of its registered capital or changing the structure of its registered capital in other manners;
- making a distribution of a dividend, or share interest or sponsorship interest in any way, provided that upon the WFOE's written request, Lianzhong shall immediately distribute part or all of its distributable profits to its shareholder(s) who shall in turn immediately and unconditionally pay or transfer to the WFOE any such distribution;
- executing any material contract, except contracts executed in the ordinary course of business (for purpose of this subsection, the WFOE may define a material contract at its sole discretion);
- selling, transferring, mortgaging or disposing of in any manner any legal or beneficial interest in its business or revenues, or allowing the encumbrance thereon of any security interest;
- a dissolution or a liquidation and distribution of residual assets; or
- causing any of its branches or subsidiaries to engage in any of the foregoing or enter into any contract, agreement or other legal documents which may lead to or result in any of the foregoing.

In addition, Lianzhong agreed and covenanted to the WFOE that Lianzhong shall, and the shareholders shall cause Lianzhong to:

- accept suggestions raised by the WFOE over the engagement and replacement of employees, daily operations, dividend distribution and financial management systems of Lianzhong, and Lianzhong shall strictly abide by and perform accordingly;
- maintain Lianzhong's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- conduct Lianzhong's businesses in the ordinary course of business to maintain the asset value of Lianzhong and refrain from any act or omission that may adversely affect Lianzhong's operating status and asset value;
- provide the WFOE with information on Lianzhong's business operations and financial condition at the WFOE's request;
- if requested by the WFOE, procure and maintain insurance in respect of Lianzhong's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Lianzhong's assets, business or revenue; and
- execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims so as to maintain the ownership by Lianzhong of all of its assets.

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According to the Business Cooperation Agreement, the shareholders of Lianzhong shall only appoint persons designated by the WFOE as directors, the general manager, the chief financial officer and other senior management members of Lianzhong, and the shareholders shall dismiss any such directors or senior management members upon the WFOE's request. Lianzhong and its shareholders also jointly and severally covenanted that Lianzhong shall seek appropriate approval from the WFOE prior to entering in to any material contract.

Furthermore, the shareholders agree that, unless required by the WFOE, they shall not put forward, or vote in favour of, any shareholder resolution to, or otherwise request Lianzhong to, distribute profits, funds, assets or property to the shareholders, or to issue any dividends or other distributions with respect to the shares of Lianzhong held by the shareholders.

The Business Cooperation Agreement shall remain effective as long as Lianzhong exists, unless the WFOE terminates it upon 30 days' advance written notice or upon the transfer of all the shares held by Lianzhong's shareholders to the WFOE and/or a third party designated by the WFOE.

Exclusive Option Agreement

Lianzhong and its shareholders entered into an exclusive option agreement with the WFOE on 28 January 2014 (the "**Exclusive Option Agreement**"), pursuant to which the WFOE has a right to require the respective shareholders to transfer any and all the shares of Lianzhong they hold to the WFOE and/or a third party designated by it, in whole or in part at any time and from time to time, at the lowest price allowable under PRC laws and administration regulations at the time of transfer.

The Exclusive Option Agreement shall remain effective as long as Lianzhong exists, and cannot be terminated by either Lianzhong or its shareholders. The Exclusive Option Agreement can be terminated (i) by the WFOE at any time upon 30 days' advance written notice to Lianzhong and its shareholders; or (ii) upon the transfer of all the shares held by the shareholders to the WFOE and/or a third party designated by the WFOE.

Lianzhong and its shareholders, among other things, have covenanted that:

- without the prior written consent of the WFOE, they shall not in any manner supplement, change or amend the articles of association and bylaws of Lianzhong, increase or decrease its registered capital, or change the structure of its registered capital in other manners;
- they shall maintain Lianzhong's corporate existence in accordance with good financial and business standards and practices by prudently and effectively operating its business and handling its affairs;
- without the prior written consent of the WFOE, they shall not sell, transfer, mortgage or dispose of in any manner any assets of Lianzhong (except in the ordinary course of business), or legal or beneficial interest in the business or revenues of Lianzhong, or allow the encumbrance thereon of any security interest;
- without the prior written consent of the WFOE, they shall not incur, inherit, guarantee or assume any debt, except for debts incurred in the ordinary course of business;
- they shall always operate all of Lianzhong's businesses during the ordinary course of business to maintain the asset value of Lianzhong and refrain from any action/omission that may adversely affect Lianzhong's operating status and asset value;
- without the prior written consent of the WFOE, they shall not cause Lianzhong to execute any material contract (as defined by the WFOE at its sole discretion), except the contracts executed in the ordinary course of business;
- without the prior written consent of the WFOE, they shall not cause Lianzhong to provide any person with any loan or credit other than in the course of ordinary business;

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- they shall provide the WFOE with information on Lianzhong's business operations and financial condition at WFOE's request;
- if requested by the WFOE, they shall procure and maintain insurance in respect of Lianzhong's assets and business from an insurance carrier acceptable to the WFOE, at an amount and type of coverage typical for companies that operate similar businesses;
- without the prior written consent of the WFOE, they shall not cause or permit Lianzhong to merge, consolidate with, acquire or invest in any person;
- they shall immediately notify the WFOE of the occurrence or possible occurrence of any litigation, arbitration or administrative proceedings relating to Lianzhong's assets, business or revenue;
- to maintain the ownership by Lianzhong of all of its assets, they shall execute all necessary or appropriate documents, take all necessary or appropriate actions and file all necessary or appropriate complaints or raise necessary and appropriate defences against all claims;
- they shall ensure that Lianzhong shall not, without the prior written consent of the WFOE, in any manner distribute dividends to its shareholder(s), provided that upon the WFOE's written request, Lianzhong shall immediately distribute part or all of its distributable profits to its shareholder(s) who shall in turn immediately and unconditionally pay or transfer to the WFOE any such distribution;
- at the request of the WFOE, they shall appoint any persons designated by the WFOE as the directors and/or executive director of Lianzhong;
- they shall cause the meeting of shareholders and the board of directors of Lianzhong to pass shareholders' resolutions and board resolutions in accordance with the instruction of the WFOE; and
- unless otherwise mandatorily required by PRC laws, Lianzhong shall not be dissolved or liquidated without prior written consent by the WFOE.

The Company's PRC Legal Advisor has advised us that the Exclusive Option Agreement is legal, valid and binding on the parties and is enforceable under applicable PRC laws and regulations, except for the provisions that the arbitral body may grant injunctive relief or directly issue liquidation order against Lianzhong, which may not be enforceable under PRC laws. Since Lianzhong is not a state-owned enterprise, Lianzhong is able to enter into contracts with the WFOE or its designee to provide for the acquisition of the equity interests in and/or assets of Lianzhong by the WFOE or its designee for a nominal price or pre-determined amount without being subject to any examination, approval or valuation procedures. In addition, the WFOE or its designee can exercise its option to purchase the equity interests in and/or assets of Lianzhong for a nominal price or a pre-determined amount in accordance with the relevant procedures stipulated in the Exclusive Option Agreement.

Share Pledge Agreement

The shareholders of Lianzhong and the WFOE entered into a share pledge agreement on 28 January 2014 (the "**Share Pledge Agreement**"). Under the Share Pledge Agreement, the shareholders of Lianzhong unconditionally and irrevocably pledged all of the shares of Lianzhong that they own, including any interest or dividend paid for such shares, to the WFOE as a security for the performance of the obligations by Lianzhong and its shareholders under the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Exclusive Option Agreement and other agreements to be executed among Lianzhong, its shareholders and the WFOE from time to time (collectively the "**Principal Agreements**").

The pledge shall remain valid until all parties have agreed to terminate the Share Pledge Agreement, the Principal Agreements have been fulfilled to the satisfaction of the WFOE or all of the Principal Agreements have expired or been terminated.

Upon the occurrence and during the continuance of an event of default (as defined in the Share Pledge Agreement), the WFOE shall have the right to require Lianzhong's shareholders to immediately pay any

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amount payable by Lianzhong under the Master Exclusive Service Agreement, repay any loans and pay any other due payments, and the WFOE shall have the right to exercise all such rights as a secured party under any applicable PRC law, including without limitations, (i) to sell all or any part of the pledged shares at one or more public or private sales upon three days' written notice to the pledgor, and (ii) to execute an agreement with Lianzhong's shareholders to acquire the pledged shares based on their monetary value which shall be determined by referencing their market price.

Our PRC Legal Advisor has confirmed that the Share Pledge Agreement has been duly registered with the relevant PRC legal authority pursuant to PRC laws and regulations.

Proxy Agreement and Power of Attorney

Lianzhong, each of its shareholders and the WFOE entered into a proxy agreement and power of attorney on 28 January 2014 (the "**Proxy Agreement and Power of Attorney**"). Under the Proxy Agreement and Power of Attorney, each shareholder irrevocably appointed the WFOE (as well as its successors, including a liquidator, if any, replacing the WFOE) as its attorney-in-fact to exercise on its behalf, and agreed and undertook not to exercise without such attorney-in-fact's prior written consent, any and all right that it has in respect of its shares in Lianzhong, including without limitation:

- to call and attend shareholders' meetings of Lianzhong, and receive notices and materials with respect to the shareholders' meeting;
- to execute and deliver any and all written resolutions and meeting minutes in the name and on behalf of such Shareholder;
- to vote by itself or by proxy on any matters discussed on shareholders' meetings of Lianzhong, including without limitation, the sale, transfer, mortgage, pledge or disposal of any or all of the assets of Lianzhong;
- to sell, transfer, pledge or dispose of any or all of the shares in Lianzhong;
- to nominate, appoint or remove the directors, supervisors and senior management of Lianzhong when necessary;
- to oversee the economic performance of Lianzhong;
- to have full access to the financial information of Lianzhong at any time;
- to file any shareholder lawsuits or take other legal actions against Lianzhong's directors or senior management members when such directors or members are acting to the detriment of the interest of Lianzhong or its shareholder(s);
- to approve annual budgets or declare dividends;
- to manage and dispose of the assets of Lianzhong;
- to have the full rights to control and manage Lianzhong's finance, accounting and daily operation (including but not limited to signing and execution of contracts and payment of government taxes and duties);
- to approve the filing of any documents with the relevant governmental authorities or regulatory bodies; and
- any other rights conferred by the articles of association of Lianzhong and/or the relevant laws and regulations on the shareholders.

In addition, if any share transfer is contemplated under the Exclusive Option Agreement and the Share Pledge Agreement that Lianzhong's shareholders enter into for the benefits of the WFOE or its affiliate, the WFOE shall

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have the right to sign the share transfer agreement and other relevant agreements and to perform the Exclusive Option Agreement and the Share Pledge Agreement.

The Proxy Agreement and Power of Attorney shall remain effective as long as Lianzhong exists. Lianzhong's shareholders shall not have the right to terminate the Proxy Agreement and Power of Attorney or to revoke the appointment of the attorney-in-fact without the WFOE's prior written consent.

Dispute Resolution

Each of the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Proxy Agreement and Power of Attorney, the Exclusive Option Agreement and the Share Pledge Agreement stipulates that any dispute or claim shall be resolved by the parties in good faith through negotiations. If no resolution can be reached, the dispute shall be submitted to the Beijing Arbitration Commission for arbitration in accordance with its rules of arbitration in effect at the time of application and the place of arbitration shall be in Beijing. The arbitral tribunal or the arbitrators shall have the authority to award any remedy or relief in accordance with the terms of the agreements underlying the Contractual Arrangements and applicable PRC laws, including provisional and permanent injunctive relief (such as injunctive relief with respect to the conduct of business or to compel the transfer of assets), specific performance of any obligation created hereunder, remedies over the shares or land assets of Lianzhong and winding up orders against Lianzhong. The arbitral award shall be final and binding upon all Parties. In addition, to the extent permitted under applicable PRC laws, each party shall have the right to seek interim injunctive relief or other interim relief from a court of competent jurisdiction in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances. The parties agreed that, to the extent not against applicable laws, the courts of Hong Kong, the courts of the Cayman Islands, the courts of PRC and the courts of the places where the principal assets of Lianzhong are located, shall all be deemed to have jurisdiction.

However, our PRC Legal Advisor has advised that the provisions in the agreements underlying the Contractual Arrangements setting forth that the arbitral body may award injunctive relief over the shares or land assets of Lianzhong and award winding up orders against Lianzhong and that courts in Hong Kong and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal may not be enforceable under the PRC laws.

Our PRC Legal Advisor has advised us that the practical consequences for the Group arising from the possible non-enforceability of provisions in the agreements underlying the Contractual Arrangements are as follows:

- If the WFOE intends to seek interim remedies in support of the arbitration when formation of the arbitral tribunal is pending or under appropriate circumstances, the WFOE may seek the interim remedies before a PRC court pursuant to Article 101 and other relevant articles of the PRC Civil Procedure Law, and not before any courts in Hong Kong or the Cayman Islands.
- The remedies awarded by arbitral tribunals including the Beijing Arbitration Commission will be limited to the remedies available to them under PRC law, which currently include:
 - (a) cessation of infringements;
 - (b) removal of obstacles;
 - (c) elimination of dangers;
 - (d) return of property;
 - (e) restoration to the original condition;
 - (f) repair, reworking or replacement;
 - (g) compensation for losses;

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- (h) payment of breach of contract damages;
- (i) elimination of adverse effects and rehabilitation of reputation; and
- (j) extension of apology.

Because a PRC arbitral tribunal cannot award legal remedies such as injunctive relief or winding up orders, the WFOE can only seek similar but not identical remedies from the Beijing Arbitration Commission under PRC law, such as cessation of infringements or return of property. Alternatively, the WFOE may seek remedies from a competent court, such as the People's Court of Haidian District, the First Intermediate People's Court of Beijing, and in rare cases, the Higher People's Court of Beijing, including interim injunctive relief over the assets or shares of Lianzhong and a winding up order against Lianzhong.

- Despite the fact that the clause providing that an arbitral body may award injunctive relief or winding up orders and that courts in Hong Kong and the Cayman Islands may grant interim remedies may not be enforceable under PRC law, the remaining provisions of the dispute resolution clauses set out in the agreements underlying the Contractual Arrangements are legal, valid and binding on the parties thereto.

Succession

Each of the Master Exclusive Service Agreement, the Business Cooperation Agreement, the Proxy Agreement and Power of Attorney, the Exclusive Option Agreement and the Share Pledge Agreement stipulates that Lianzhong and/or its shareholders shall not assign their rights or obligations thereunder to any third party without the prior written consent of the WFOE. Further, each of the shareholders of Lianzhong executed a confirmation and guarantee letter on 28 January 2014 (the "**Confirmation and Guarantee Letter**"), in which the shareholder confirmed, represented and guaranteed that his/her successor, guardian, creditor, spouse or any other person that may be entitled to assume rights and interests in the shares of Lianzhong held by such shareholder upon his/her death, incapacity, divorce or any circumstances that may affect his/her ability to exercise his/her shareholder's rights in Lianzhong, will not, in any manner and in any circumstances, carry out any act that may affect or hinder the fulfilment of his/her obligations under each of the agreements underlying the Contractual Arrangements.

Our PRC Legal Advisor is of the view that (i) the death of any shareholders of Lianzhong would not affect the validity of the Contractual Arrangements, and (ii) the successors of such shareholders would be bound by the Contractual Arrangements in respect of the shares of Lianzhong held by such shareholders.

In addition, the shareholders of Lianzhong confirmed that, subject to requirement by the WFOE, they will unwind the Contractual Arrangements and transfer all of the shares of Lianzhong held by them to the WFOE or its designee as soon as the applicable laws of the PRC allows the WFOE to operate the business operated by Lianzhong (which includes but not limited to the business of developing and operating online games) without the Contractual Arrangements. Subject to the applicable PRC laws, the shareholders must return to the WFOE or its designee any consideration they received from the WFOE during its acquisition of the shares of Lianzhong.

The spouse of each of the shareholders of Lianzhong executed a written consent on 28 January 2014. In the written consent, each such spouse confirmed that he/she unconditionally consented that the shares in Lianzhong held by and registered in the name of the shareholder will be disposed of pursuant to the agreements underlying the Contractual Arrangements. The spouse undertook not to take any action with the intent to interfere with such arrangements, including making any claim that will give rise to hindrance over the performance by the shareholder spouse's obligation under the Contractual Arrangements. In addition, the spouse unconditionally and irrevocably waived any rights or entitlements to such shares of Lianzhong, and undertook to be bound by the Contractual Arrangements in the event that he/she for any reason obtains any shares of Lianzhong held by the shareholder spouse. Furthermore, the spouse confirmed, represented and guaranteed that, he/she, his/her successor, guardian, creditor, spouse or any other person that may be entitled to assume rights and interests in the shares of Lianzhong held by the shareholder spouse upon his/her death, incapacity, divorce or any circumstances

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that may affect his/her ability to exercise his/her shareholder's rights in Lianzhong, will not, in any manner and in any circumstances, carry out any act that may affect or hinder the fulfilment of the shareholder spouse's obligations under each of the agreements underlying the Contractual Arrangements.

Arrangements to Address Potential Conflicts of Interests

In the Confirmation and Guarantee Letters, the shareholders of Lianzhong undertook that, during the term of the Contractual Arrangements, (i) unless otherwise agreed by the WFOE in writing, the shareholders will not directly or indirectly (by themselves or by entrusting any other natural person or legal entity to) engage in, own or acquire (as shareholder, partner, agent, employee or under any other circumstances) any business that competes or might compete with the business of Lianzhong or its affiliated companies; (ii) none of their actions or omissions will give rise to conflict of interest between themselves and the WFOE (including the shareholders of the WFOE); and (iii) in the event of any such conflict, which shall be decided at the sole discretion of the WFOE, they will take any action as instructed by the WFOE to eliminate such conflict provided such action is compliant with PRC laws.

Loss Sharing

None of the agreements constituting the Contractual Arrangements provide that the Company or its wholly-owned PRC subsidiary, the WFOE, is obligated to share the losses of Lianzhong or provide financial support to Lianzhong. Further, Lianzhong is a limited liability company and shall be solely liable for its own debts and losses with assets and properties owned by it. Under PRC laws and regulations, the Company or the WFOE, as the primary beneficiary of Lianzhong, is not expressly required to share the losses of Lianzhong or provide financial support to Lianzhong. Despite the foregoing, given that the Group conducts its businesses in the PRC through Lianzhong which holds the requisite PRC licenses and approvals, and that Lianzhong's financial condition and results of operations are consolidated into the Group's financial condition and results of operations under the applicable accounting principles, the Company's business, financial condition and results of operations would be adversely affected if Lianzhong suffers losses.

However, due to the relevant restrictive provisions in the Exclusive Option Agreement and the Business Cooperation Agreement as more particularly set out in the paragraphs headed "Exclusive Option Agreement" and "Business Cooperation Agreement" above, the potential adverse effect on the WFOE and the Company in the event of any loss suffered from Lianzhong is limited.

Insurance

The Company does not maintain an insurance policy to cover the risks relating to the Contractual Arrangements.

Existing Intellectual Property Held by Lianzhong

Under the Contractual Arrangements, the WFOE does not currently hold the rights to existing intellectual property held by Lianzhong. However, under the Business Cooperation Agreement among Lianzhong, its shareholders and the WFOE, Lianzhong agreed and covenanted to the WFOE that Lianzhong shall, and its shareholders shall cause Lianzhong to accept suggestions raised by the WFOE over daily operations of Lianzhong, and Lianzhong shall strictly abide by and perform accordingly. As such, should the WFOE require Lianzhong in the future to transfer or assign any existing intellectual property to the WFOE, Lianzhong is contractually obligated to do so, as long as such transfer or assignment will not be in conflict with then applicable PRC laws and regulations. Furthermore, Lianzhong are required under the Contractual Arrangements not to engage in, without the WFOE's prior written consent, any transaction which may materially affect its asset, obligation, right or operation, including selling to or acquiring from any third party, mortgaging, licensing or disposing of in other ways tangible or intangible assets, other than in the ordinary course of business. In the

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future, the WFOE will be applying for the PRC intellectual property rights to the extent permitted under the PRC laws.

Impact on the Group in the Event of Liquidation of Lianzhong

According to the PRC Company Law,

- (a) a company shall be dissolved as a result of the following: 1) when the term of operation as specified in the company's articles of association expires or other reasons for dissolution as specified in the company's articles of association arise; 2) if the shareholders' meeting or shareholders' general meeting resolves to dissolve the company; 3) if dissolution is necessary as a result of the merger or split of the company; 4) its business licence has been revoked, or it is ordered to close down or is banned according to law; or 5) it is ordered to be dissolved by the people's court in accordance with relevant article of the PRC Company Law;
- (b) when a company is to be dissolved pursuant to item 1), 2), 4) or 5) of reasons for dissolution as described above, it shall establish a liquidation committee and commence liquidation within 15 days of the date of occurrence of the grounds for dissolution;
- (c) after a liquidation committee has thoroughly sorted out the company's assets and prepared a balance sheet and an asset inventory, it shall formulate a liquidation plan and submit the same to the shareholders' meeting, shareholders' general meeting or the people's court for confirmation. The assets of a company that remained after the company has paid the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the outstanding taxes, and all of the debts of the company, shall be distributed in the case of a limited liability company, in proportion to the capital contributions of its shareholders and, in the case of a company limited by shares, in proportion to the shareholdings of its shareholders; and
- (d) following the completion of liquidation, the liquidation committee shall compile a liquidation report and submit the same to the shareholders' meeting, shareholders' general meeting or the people's court for confirmation, as well as to the company registry. In addition, the liquidation committee shall apply for cancellation of the company's registration and announce the company's termination.

According to the Exclusive Option Agreement, the shareholders of Lianzhong shall promptly transfer any proceeds of liquidation received from Lianzhong to the WFOE or any other entity designated by the WFOE to the extent permitted under applicable PRC laws;

Based on the above, in the event of liquidation of Lianzhong, and if there are any assets of Lianzhong remaining after Lianzhong has paid the liquidation expenses, the wages, social insurance premiums and statutory compensation of the employees, the outstanding taxes, and all of the debts of the company, Lianzhong shall pay such remaining assets to its shareholders in proportion to their respective shareholdings. After receiving any assets or proceeds as a result of liquidation of Lianzhong, the shareholders of Lianzhong are obligated under the Exclusive Option Agreement to transfer such assets or proceeds to the WFOE or any other entity designated by the WFOE. Since the WFOE is a wholly owned subsidiary of the Group, the Group is entitled to retain the remaining assets or proceeds of Lianzhong in the event of its liquidation.

However, as Lianzhong is the operating entity of the Group owning all material properties and holding all important assets necessary to conduct the core business of the Group, if Lianzhong is liquidated, the Group will lose its capacity to conduct its business and to generate revenue for its investors.

Company's Confirmation

As of the Latest Practicable Date, the Company had not encountered any interference or encumbrance from any PRC governing bodies in operating its businesses through Lianzhong under the Contractual Arrangements. Based

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on the view of our PRC Legal Adviser and our interview with PRC legal authorities our Directors believe that each of these arrangements conferring significant control and economic benefits from Beijing Lianzhong is enforceable under the relevant laws and regulations.

Legality of the Contractual Arrangements

The WFOE's right to deal with the pledged equity interest in Lianzhong under the Share Pledge Agreement and its option to acquire the equity interest in Lianzhong under the Exclusive Option Agreement are confined to be carried out in a manner as permitted by the relevant PRC laws. Further, the pledge created under the Share Pledge Agreement shall only become effective upon such pledge having been duly registered in the competent local administration for industry and commerce. The Share Pledge Agreement has been duly registered with the relevant administration for industry and commerce. Based on the above, our PRC Legal Adviser is of the opinion that the Contractual Arrangements are narrowly tailored to minimise the potential conflict with relevant PRC laws and regulations.

In the opinion of our PRC Legal Adviser, and as confirmed by the competent PRC authorities:

- (a) the Contractual Arrangements will not be deemed invalid or ineffective under the GAPP Notice or other relevant regulations under the PRC law;
- (b) the agreements underlying the Contractual Arrangements individually and collectively do not violate PRC laws;
- (c) each of the WFOE and Lianzhong is an independent legal entity which is duly incorporated, and their respective establishment is valid, effective and complies with the relevant PRC laws; save for the fact that we are still in the process of obtaining approvals from the GAPP in respect of the publication and operation of 35 games as disclosed in the section headed "Business — Compliance" of the prospectus, each of the WFOE and Lianzhong has also obtained all necessary approvals and completed all registration procedures as required by the applicable PRC laws and regulations and has the capacity to carry out business operations in accordance with their respective license;
- (d) except for the provisions in the agreements underlying the Contractual Arrangements setting forth that the arbitral body may award injunctive relief over the shares or land assets of Lianzhong and award winding up orders against Lianzhong and that courts in Hong Kong and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal, each of the agreements underlying the Contractual Arrangements is in full compliance with and enforceable under applicable PRC laws and regulations, and is legal, valid and binding on the parties thereto;
- (e) each of the agreements underlying the Contractual Arrangements does not violate any provisions of the articles of association of Lianzhong;
- (f) the Contractual Arrangements do not require any approvals from the PRC governmental authorities, except that the Share Pledge Agreement are subject to registration requirement with the relevant Administration of Industry and Commerce, registration of which have been duly completed;
- (g) no approvals or confirmation on the validity and legality of the agreements underlying the Contractual Arrangements was required from any authorities in the PRC;
- (h) the consummation of the contemplated listing of the Company's shares on the Stock Exchange is not a violation of the Rules on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (關於外國投資者併購境內企業的規定), which was adopted by six PRC regulatory agencies, including MOFCOM and the China Securities Regulatory Commission, and effective since September 2006.

Notwithstanding the foregoing, in January 2014, the Company interviewed the Beijing Press and Publication Bureau, the Beijing Culture Bureau and the Beijing Bureau of Industry and Information Technology in relation to the Company's general operations as well as the Contractual Arrangements adopted by the Company.

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The officer of the Beijing Press and Publication Bureau is of the view that (i) the Beijing Press and Publication Bureau is a competent authority to administer and govern the operation of Lianzhong; (ii) no implementation rule or interpretation of the GAPP Notice has been issued by the GAPP; (iii) Beijing Press Publication Bureau has not, to the date of the interview, individually or collectively with other PRC regulatory authorities, imposed any administrative proceedings or penalties on any online game company in accordance with the GAPP Notice; (iv) Lianzhong has complied with the administrative requirements of the Beijing Press and Publication Bureau; and (v) the Beijing Press and Publication Bureau is supportive of the overseas listing of Lianzhong as contemplated by the Contractual Arrangements.

The officer of the Beijing Culture Bureau is of the view that (i) the Beijing Culture Bureau is a competent authority to administer and govern the operation of Lianzhong; (ii) in practice, the Beijing Culture Bureau adopts the administration standard that a foreign enterprise shall not directly control an online game company through equity interest ownership; (iii) Lianzhong has complied with the administrative requirements by the Beijing Culture Bureau; and (iv) the Beijing Culture Bureau is supportive of the overseas listing of Lianzhong as contemplated by the Contractual Arrangements. During the Company's further interview with a deputy chief of the MOC in charge of regulating online games on 2 April 2014, the officer of the MOC has confirmed that the Contractual Arrangements do not violate the PRC laws and regulations relating to online game operations.

The officer of the Beijing Bureau of Industry and Information Technology is of the view that (i) the Beijing Bureau of Industry and Information Technology is a competent authority to administer and govern the operation of Lianzhong; (ii) Lianzhong has complied with the administrative requirements by the Beijing Bureau of Industry and Information Technology; and (iii) the Beijing Bureau of Industry and Information Technology is supportive of the overseas listing of Lianzhong as contemplated by the Contractual Arrangements.

We are advised by our PRC Legal Advisor that the Beijing Press and Publication Bureau, the Beijing Culture Bureau, the MOC and the Beijing Bureau of Industry and Information Technology are competent authorities to administer and govern the online game industry and to interpret whether the Contractual Arrangements violate the GAAP Notice and other relevant regulations, based on the following reasons:

- (i) the Notice on Interpretation of the State Commission Office for Public Sector Reform on Some of the Articles in the "Three Provisions" for Ministry of Culture, State Administration of Radio, Film and Television and General Administration of Press and Publication Concerning Animated Games, Online Games and Comprehensive Law Enforcement in the Culture Market (《關於印發《中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網絡遊戲和文化市場綜合執法的部分條文的解釋》的通知》), which was issued by the State Commission Office for Public Sector Reform on 7 September 2009, provides that the GAPP will have authority for the examination and approval of online games to be uploaded on the internet and that, after such upload, online games will be administered by the MOC;
- (ii) according to the Telecommunications Regulations and the Telecom License Measures, the MITT and its local counterparts are competent authorities to administer and govern the telecommunication services; and
- (iii) during the respective interview with the Beijing Press and Publication Bureau, the Beijing Culture Bureau and the Beijing Bureau of Industry and Information Technology, each of the officers of the Beijing Press and Publication Bureau, the Beijing Culture Bureau and the Beijing Bureau of Industry and Information Technology has confirmed that such bureaus are competent authority to administer and govern the operation of Lianzhong.

We are advised by our PRC Legal Advisor that the relevant officers of the Beijing Press and Publication Bureau, the Beijing Culture Bureau and the Beijing Bureau of Industry and Information Technology are competent officers to be interviewed as to whether the Contractual Arrangements violate the GAAP Notice and other relevant regulations.

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Based on the interviews described above, the Company's PRC Legal Advisor is of the view, as confirmed by the competent PRC authorities, that the Contractual Arrangements would not constitute a breach or violation of the GAPP Notice based on the view of the competent government authorities, because (i) while the GAPP has the authority of pre-examination and approval for the publication of online games on the internet, the MOC is the governmental department to regulate online games and is responsible for overall administration over online games, including operation of online games; (ii) the MOC (but not the GAPP), has the direct authority for investigation and enforcement over online game operators after the launching of online games on the internet; (iii) based on the interview with the Beijing Press and Publication Bureau, no implementation rule or interpretation of the GAPP Notice has been issued by the GAPP and the Beijing Press and Publication Bureau has not, to date, individually or collectively with other PRC regulatory authorities, imposed any administrative proceedings or penalties on any online game company in accordance with the GAPP Notice; and (iv) based on the interview with the Beijing Culture Bureau, the bureau has been aware of and is supportive of the overseas listing of Lianzhong as contemplated by the Contractual Arrangements and has not raised any objection.

The Sponsor's PRC legal adviser's view on the legality of the Contractual Arrangements is consistent with the opinion of the Company's PRC Legal Advisor set out above.

We are aware of recent press articles reporting that certain PRC court rulings and arbitral decisions have invalidated certain agreements which were deemed to be for the intention of circumventing foreign investment restrictions in the PRC, holding that the agreements violated the prohibition against "concealing an illegitimate purpose under the guise of legitimate acts" set out in Article 52 of the PRC Contract Law and the General Principles of the PRC Civil Law. It has been further reported that these court rulings and arbitral decisions may increase (i) the possibility of the PRC courts and/or arbitration panels taking similar actions against contractual structures commonly adopted by foreign investors to engage in restricted businesses in the PRC and (ii) the incentive for shareholders of Lianzhong under such contractual structures to renege on their contractual obligations. Pursuant to Article 52 of the PRC Contract Law, a contract is void under any of the following five circumstances: (i) the contract is concluded through the use of fraud or coercion by one party and thereby damages the interest of the State; (ii) malicious collusion is conducted to damage the interest of the State, a collective unit or a third party; (iii) the contract damages the public interest; (iv) an illegitimate purpose is concealed under the guise of legitimate acts; or (v) the contract violates the mandatory provisions of the laws and administrative regulations.

The Contractual Arrangements do not fall within circumstance (i) under Article 52 of the PRC Contract Law, because the Contractual Arrangements were freely negotiated and entered into by the WFOE, Lianzhong and its shareholders, and no apparent interest of the State was damaged by the Contractual Arrangements. The Contractual Arrangements do not fall within circumstances (ii) or (iii) because there was no malicious collusion or apparent damage to the interest of the State, a collective unit, a third party or the public. The Contractual Arrangements do not fall within circumstance (v) because none of the arrangements violate any mandatory provisions of current laws in the PRC, which refer to laws promulgated by the National People's Congress of the PRC or its Standing Committee, or any mandatory provisions of administrative regulations in the PRC, which refer to administrative regulations issued by the State Council of the PRC.

Our PRC Legal Advisor and the Sole Sponsor's PRC Legal Advisor are of the view that the Contractual Arrangements would not be deemed as "concealing an illegitimate purpose under the guise of legitimate acts" and therefore they also do not fall within circumstance (iv) under Article 52 of the PRC Contract Law. This is because the Contractual Arrangements were not entered into for illegitimate purposes. The purposes of the Contractual Arrangements are (i) to enable Lianzhong to enjoy better economic and technical support from the WFOE, (ii) to enable the WFOE to derive the economic benefits from the operations of Lianzhong as its exclusive provider of technical support, business support, relevant consulting services and any other services Lianzhong may require, and (iii) to ensure that the shareholders of Lianzhong will not carry out any act that is contrary to the interests of the WFOE. None of these purposes in and of themselves are illegal or illegitimate, and

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the individual contracts underlying the Contractual Arrangements are common agreements that are legitimate and legal. In accordance with Article 4 of the PRC Contract Law, which is a section of the Part One (General Principles) of the PRC Contract Law setting forth fundamental principles under the PRC Contract Law, the parties to the Contractual Arrangements have the right to enter into contracts in accordance with their own wishes and no person may illegally interfere with such right. In addition, one of the effects of the Contractual Arrangements, which is to allow the Company to list on the Stock Exchange, is not an illegitimate purpose as evidenced by the fact that a large number of listed companies also adopt a similar contractual structure.

In conclusion, the Contractual Arrangements do not fall within any of the five circumstances set forth in Article 52 of the PRC Contract Law.

Given that the Contractual Arrangements will constitute non-exempt continuing connected transactions of our Company, a waiver has been sought from and has been granted by the Stock Exchange, details of which are disclosed in the section headed “Connected Transactions”.

Accounting Aspects of the Contractual Arrangements

Consolidation of Financial Results of Lianzhong

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Although our Company does not directly or indirectly own Lianzhong and its subsidiaries, the Contractual Arrangements as mentioned above enable our Company to exercise control over Lianzhong and hence together with its subsidiaries.

Under the Master Exclusive Service Agreement entered into by and between the WFOE and Lianzhong, it was agreed that, in consideration of the services provided by the WFOE, Lianzhong will pay quarterly service fees to the WFOE. The service fee is equal to 100% of the consolidated net profits of Lianzhong. The WFOE may adjust the service fee at its sole discretion with reference to Lianzhong’s working capital requirements and based on the technical difficulty and complexity of the services and the actual labour costs incurred for providing the services during the relevant period. Accordingly, the WFOE has the ability, at its sole discretion, to extract substantially all of the economic benefit of Lianzhong and its subsidiaries through the Master Exclusive Service Agreement.

In addition, under the Exclusive Option Agreement among the parties, the WFOE has absolute control over the distribution of dividends or any other amounts to the shareholders of Lianzhong as the WFOE’s prior written consent is required and the WFOE can request for immediate distribution of profits to be made.

Further, under the Proxy Agreement and Power of Attorney, the WFOE assumes all rights as shareholder and exercises control over Lianzhong, including the right to propose, convene and attend shareholders’ meetings, the right to sell, transfer, pledge or dispose of shares, the right to exercise shareholders’ voting rights and to appoint the director, supervisor and senior management of Lianzhong. As a result of these agreements, the Company has obtained control of Lianzhong through the WFOE and, under the Company’s sole discretion, can receive substantially all of the economic interest returns generated by Lianzhong and its subsidiaries. Accordingly, the results of operations, assets and liabilities, and cash flows of Lianzhong and its subsidiaries are consolidated into the Company’s financial statements.

In this regard, our Reporting Accountant, Grant Thornton Hong Kong Limited, has issued unqualified opinion on our Group’s consolidated financial information for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, which include the financial results of Lianzhong and its subsidiaries being consolidated into our Group’s financial information as if they were our Group’s subsidiaries, is included in the Accountant’s Report in Appendix I of this prospectus.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

CONTROLLING SHAREHOLDERS

Immediately after completion of the Capitalisation Issue and the Global Offering (without taking into account the Shares that may be issued pursuant to the exercise of the Over-allotment Option or any Shares which may be issued upon exercise of options under the Management Pre-IPO Share Option Scheme), Mr Zhang, our executive Director, will be interested in approximately 15.11% of the issued share capital of our Company through his interest in the entire issued share capital in Elite Vessels Limited. Mr Liu, our executive Director, will be interested in approximately 20.02% of the issued share capital of our Company through his interest in the entire issued share capital in Sonic Force Limited and Blink Milestones Limited. Mr Shen, an entrepreneur involved in the apparel textile industry and the chairman of Laney Co., Ltd., a company listed in the Shenzhen Stock Exchange, will be interested in approximately 8.09% of the issued share capital of our Company through his interest in the entire issued share capital in Prosper Macrocosm Limited. Ms Long, a previous journalist, will be interested in approximately 2.70% of the issued share capital of our Company through her interest in the entire issued share capital in Golden Liberator Limited. According to the Concert Party Agreement, Mr Zhang, Mr Liu, Mr Shen and Ms Long, through their BVI holding companies, will be jointly entitled to exercise or control the exercise of 45.91% of the voting power of the Company. Therefore, Mr Zhang, Elite Vessels Limited, Mr Liu, Sonic Force Limited, Blink Milestones Limited, Mr Shen, Prosper Macrocosm Limited, Ms Long and Golden Liberator Limited will be our Controlling Shareholders after the Listing. Please refer to the section headed “Directors and Senior Management” for the background of Mr Liu and Mr Zhang.

Save and except for their interests in our Company and its subsidiaries, neither of our Controlling Shareholders nor any of their associates had interests in any other companies as at the Latest Practicable Date which may, directly or indirectly, compete with our business.

INDEPENDENCE FROM THE CONTROLLING SHAREHOLDERS

Having considered the matters described above and the following factors, we believe that we are capable of carrying on our business independently of our Controlling Shareholders and their associates after the Global Offering.

Operational Independence

Our Group is not operationally dependent on the Controlling Shareholders. We do not rely on the Controlling Shareholders for our business development, staffing or marketing and sales activities. Our Directors and senior management are responsible for the conduct of our business. We have independent access to our customers, suppliers and an independent management team to handle our day-to-day operations. We are also in possession of all relevant licenses necessary to carry on and operate our business and we have sufficient operational capacity in terms of capital and employees to operate independently. Our Directors are of the view that there is no operational dependence by us on our Controlling Shareholders.

Management Independence

Our Board consists of 9 Directors, of whom Mr Liu, Mr Zhang, Mr Yang Eric Qing and Mr Ng Kwok Leung Frank are the executive Directors and the remaining Directors include two non-executive Directors, being Mr Fan Tai and Mr Chen Xian and three independent non-executive Directors, including Mr Ge Xuan, Mr Lu Zhong and Mr Cheung Chung Yan David.

Our daily management and operations are carried out by a senior management team. None of the members of our senior management team holds any board or other executive position in, or are employed by, any entity controlled by the Controlling Shareholders outside the Group.

RELATIONSHIP WITH CONTROLLING SHAREHOLDERS

Financial Independence

During the Track Record Period, our Company provided a loan to Mr Liu in the amount of RMB20 million and Mr Bao Yueqiao in the amount of RMB5 million, respectively. All of these loans have been repaid to the Company in February 2014 and the Company does not intend to rely on any shareholders or extend loans to any shareholders in the future.

Save as disclosed in the above, our Group has an independent financial system and makes financial decisions according to our Group's own business needs. We also have our own treasury function which is operated independently from the Controlling Shareholders. We are capable of obtaining financing from third parties, if necessary, without reliance on the Controlling Shareholders.

CORPORATE GOVERNANCE MEASURES

We are committed to the view that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors) so that there is a strong element on the Board which can effectively exercise independent judgment. We are also committed to the view that our independent non-executive Directors should be of sufficient calibre and number for their views to carry weight. Our independent non-executive Directors, details of whom are set forth in the section headed "Directors and Senior Management" in this prospectus, are free of any business or other relationships which could interfere in any material manner with the exercise of their independent judgment.

In the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates ("Conflicting Transaction"), the interested Director(s) shall abstain from voting at the relevant board meetings of our Company in respect of such transactions, and shall not be counted in forming quorum. The interested Director(s) shall not attend any independent board meetings comprising our Independent Non-executive Directors only. In the event that there is a Conflicting Transaction which shall be submitted to our Independent Non-executive Directors for their consideration and approval, they shall have extensive experience and knowledge to oversee such a Conflicting Transaction from different aspects.

CONNECTED TRANSACTIONS

Save as disclosed in the section headed "Connected Transactions" in the prospectus, the Group has not entered into any transactions with the connected persons that will continue following the Listing and which will constitute non-exempt continuing connected transactions within the meaning of the Listing Rules.

CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

We have entered into a number of continuing agreements and arrangements with our connected persons in our ordinary and usual course of business. Upon the listing of the Shares on the Stock Exchange, the transactions disclosed in this section will constitute continuing connected transactions under the Listing Rules.

Non-Exempt Continuing Connected Transactions

We set out below details of the continuing connected transactions for our Group, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Rules 14A.35, 14A.36, 14A.49 and 14A.71 of the Listing Rules (which will come into effect on 1 July 2014).

Contractual Arrangements

As disclosed in the section headed "Contractual Arrangements" in this prospectus, we, as foreign investors, are prohibited from holding equity interest in Lianzhong, our PRC operating entity, which conducts our online games business and is considered to be engaged in the provision of value-added telecommunications services as a result of the operations of our website. As a result, our Group, through our wholly-owned subsidiary, the WFOE, has entered into the Contractual Arrangements such that we can conduct our business operations indirectly in the PRC through Lianzhong while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide our Group with effective control over the financial and operational policies of Lianzhong and its subsidiaries and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Lianzhong after Listing through the WFOE. We operate our online games business through Lianzhong, the equity interest of which is held by Mr Zhang, Mr Liu, Mr Shen, Mr Bao Yueqiao, Ms Long and Ms Wu Lan and we do not hold any direct equity interest in Lianzhong. As such, the Contractual Arrangements were entered into on 28 January 2014 pursuant to which all material business activities of Lianzhong are instructed and supervised by our Group, through the WFOE, and all economic benefits and risks arising from the business of Lianzhong and its subsidiaries are transferred to our Group.

The Contractual Arrangements currently in effect comprise six documents, namely the master exclusive service agreement, the business cooperation agreement, the exclusive option agreement, the share pledge agreement, the proxy agreement and the power of attorney (as the case may be), the detailed terms of which are set out in the sections headed "History, Reorganization and Corporate Structure" and "Contractual Arrangements" in this prospectus.

Listing Rules Implications

Mr Zhang, Mr Liu, Mr. Shen Dongri and Ms. Long Qi are substantial shareholders and executive Directors of our Company. They are therefore connected persons of our Company under Rule 14A.07(1) of the Listing Rules (which will come into effect on 1 July 2014). Lianzhong is owned as to 35.49% and 30% by Mr Liu and Mr Zhang respectively and therefore an associate of Mr Liu and Mr Zhang. Lianzhong is therefore a connected person of our Company under Rule 14A.07(4) of the Listing Rules (which will come into effect on 1 July 2014). Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the Listing Rules upon Listing.

Our PRC Legal Advisor is of the opinion that, except for the provisions in the agreements underlying the Contractual Arrangements setting forth that courts in Hong Kong and the Cayman Islands may grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal and that the arbitral body may award injunctive relief over the shares or land assets of Lianzhong and award winding up orders against Lianzhong may not be enforceable under PRC laws (see the section headed "Risk Factors — Risks Relating to Our Corporate Structure — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws"), each of the agreements underlying the Contractual Arrangements are legal and valid and do not violate

CONNECTED TRANSACTIONS

PRC laws, rules and regulations, including those applicable to the business of our Company, the WFOE and Lianzhong, and the articles of association of each of the WFOE and Lianzhong, and are legally binding on and enforceable against each party of each of the agreements in accordance with their terms and provisions under PRC laws and regulations.

Our Directors (including the independent non-executive Directors) and the Sole Sponsor are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into in the ordinary and usual course of business of our Group, are on normal commercial terms and are fair and reasonable and in the interests of our Company and the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of Lianzhong are consolidated into our Group's financial statements as a wholly-owned subsidiary, and the flow of economic benefit of its business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between Lianzhong and any member of our Group ("**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 14A of the Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 14A of the Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for waiver

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.105 of the Listing Rules (which will come into effect on 1 July 2014) from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to the WFOE under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the following conditions:

(a) *No change without independent non-executive Directors' approval*

No change to the Contractual Arrangements will be made without the approval of the independent non-Executive Directors;

(b) *No change without independent Shareholders' approval*

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 14A of the Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) *Economic benefits flexibility*

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Lianzhong through (i) our Group's option, to the extent permitted under PRC laws and regulations) to acquire, all or part of the equity interest in and/or assets of Lianzhong at the minimum

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purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by Lianzhong is substantially retained by our Group, such that no annual cap shall be set on the amount of service fees payable to the WFOE by Lianzhong under the Exclusive Business Consulting and Service Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Lianzhong.

(d) *Renewal and reproduction*

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and Lianzhong, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 14A of the Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) *Ongoing reporting and approvals*

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Lianzhong has been substantially retained by the WFOE, (ii) no dividends or other distributions have been made by Lianzhong to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Lianzhong during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.
- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Lianzhong to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.
- For the purpose of Chapter 14A of the Listing Rules, and in particular the definition of "connected person", Lianzhong will be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Lianzhong and its associates will be treated as connected persons of our Company (excluding for this purpose, Lianzhong), and transactions between these connected persons and our Group (including for this purpose,

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Lianzhong), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules.

- Lianzhong will undertake that, for so long as the Shares are listed on the Stock Exchange, Lianzhong will provide our Group's management and our Company's auditor full access to its relevant records for the purpose of our Company's auditor's review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 14A.105 of the Listing Rules (which will come into effect on 1 July 2014) from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under any New Intergroup Agreements, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from Lianzhong under any New Intergroup Agreements, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on the Stock Exchange subject however to the condition that the Contractual Arrangements subsist and that Lianzhong will continue to be treated as our Company's wholly-owned subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Lianzhong and its associates will be treated as connected persons of our Company (excluding for this purpose, Lianzhong), and transactions between these connected persons and our Group (including for this purpose, Lianzhong), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 14A of the Listing Rules. We will comply with the applicable requirements under the Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONFIRMATION FROM THE SOLE SPONSOR

The Sole Sponsor has reviewed the relevant documents and information provided by our Group, has obtained necessary representations and confirmations from our Company and our Directors and has participated in the due diligence and discussions with our management and our PRC Legal Advisor. Based on the above, the Sole Sponsor is of the view that the Contractual Arrangements are fundamental to our Group's legal structure and business operations, and are commonly adopted by companies in the online game industry in the PRC that are operated and ultimately owned by a foreign holding company.

The Sole Sponsor is of the view that the non-exempt continuing connected transactions described above, and for which waivers have been sought, have been entered into in the ordinary and usual course of business of our Group, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole. With respect to the term of the relevant agreements underlying the Contractual Arrangements which is of a duration longer than three years, it is a justifiable and normal business practice to ensure that (i) the financial and operational policies of Lianzhong can be effectively controlled by the WFOE, (ii) the WFOE can obtain the economic benefits derived from Lianzhong, and (iii) any possible leakages of assets and values of Lianzhong can be prevented, on an uninterrupted basis.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Our Board of Directors is the primary decision making body of our Company and consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Pursuant to the Company's Articles, the Directors are elected by our Shareholders at the annual Shareholders' meeting. Each Director is appointed for a term of three years. Directors may serve any number of consecutive terms.

Name	Age	Position	Roles and Responsibilities	Date of Appointment	Date of Joining Our Group
Yang Eric Qing (楊慶)	42	Co-Chief Executive Officer, Chairman and Executive Director	Chairman of Nomination and Corporate Governance Committee, General operation, strategy, information technology and marketing	4 December 2013	1 December 2010
Ng Kwok Leung Frank (伍國樑)	45	Co-Chief Executive Officer and Executive Director	Chairman of Risk Management Committee, Business development, finance, marketing and PC operation	4 December 2013	29 June 2004
Liu Jiang (劉江)	46	Executive Director	Overall strategic planning and overseeing overall operation and business	4 December 2013	1 December 2010
Zhang Rongming (張榮明)	51	Executive Director	Overall strategic planning and overseeing overall operation and business	4 December 2013	1 December 2010
Fan Tai (樊泰)	42	Non-executive Director	Member of Audit Committee; providing expertise as a non-executive Director	7 March 2014	7 March 2014
Chen Xian (陳弦)	32	Non-executive Director	Member of Nomination and Corporate Governance Committee; providing expertise as a non-executive Director	7 March 2014	7 March 2014
Ge Xuan (葛旋)	42	Independent Non-executive Director	Member of Audit, Remuneration, Risk Management and Nomination and Corporate Governance Committees; supervising and providing independent judgment to our Board	7 March 2014	7 March 2014
Lu Zhong (魯眾)	51	Independent Non-executive Director	Chairman of Remuneration Committee; Member of Risk Management and Nomination and Corporate Governance Committees; supervising and providing independent judgment to our Board	7 March 2014	7 March 2014

DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position	Roles and Responsibilities	Date of Appointment	Date of Joining Our Group
Mr Cheung Chung Yan David (張頌仁)	38	Independent Non-executive Director	Chairman of Audit Committee; Member of Remuneration and Nomination and Corporate Governance Committee; supervising and providing independent judgment to our Board	7 March 2014	7 March 2014

EXECUTIVE DIRECTORS

Yang Eric Qing (楊慶), aged 42, has been an executive Director, chairman of the Board and co-chief executive officer since the incorporation of our Company in 2013. Mr Yang joined our Group in December 2010 and is responsible for general operation, strategy information technology and of the Company. Mr Yang also holds directorships in Lianzhong Treasury Land and Lianzhong International. Mr Yang held various positions at International Business Machines Corporation (IBM) (including a director of global business services and a director of SMB, MBPS Asia Pacific), a company listed on the New York Stock Exchange (stock code: IBM), including Director and Sector Leader of MBPS Asia Pacific from 2006 to 2007, Director and Sector Leader of Industrial and Distribution Sector, MBPS Asia Pacific from 2007 to 2008, Director and Sector Leader of Industrial and Distribution Sector, MBPS, Global Emerging Markets in 2009 and Director of GCG Managed Business Process Services in Global Resources Department in 2010. Mr Yang received his Bachelor of Science degree from the University of California, Berkeley, U.S. in 1994. Mr Yang was an independent non-executive director on the board of Lancy Co., Ltd, a company listed on the Shenzhen Stock Exchange. Save as disclosed in the above, over the past three years Mr Yang has not been a director of any listed companies.

Ng Kwok Leung Frank (伍國樑), aged 45, is an executive Director and co-chief executive officer of our Company. Mr Ng joined our Group in June 2004 and is responsible for business development and PC operations and finance of the Company. He also serves as the chairman of the board of directors of Lianzhong and Shanghai Yaozhong. He holds directorships in Beijing Linghegu, a company in which Lianzhong holds 14.21% interest, Lianzhong Treasury Land and Lianzhong International. He has joined the Group since 2004 and served as vice president and joint chief executive officer of the Group. Before joining our Group, Mr Ng served as the senior associate of Grant Thornton LLP in the United States for approximately four years and the vice president of PCC Skyhorse Limited, an associated company of PCCW, a company listed on the Stock Exchange (stock code: 0008), for three years. Mr Ng received his Bachelor of Science degree from the University of California, Berkeley, U.S. in 1992. Over the past three years, Mr Ng has not been a director of any listed companies.

Liu Jiang (劉江), aged 46, is an executive Director of our Company since incorporation of our Company. Mr Liu joined our Group in December 2010 and is responsible for overseeing the strategies and development of the Group. He also serves as president and chairman of the board of directors of Hehong Holdings Group (和泓控股集團), a real estate group. Mr Liu received his Bachelor of Economics from the East China Jiaotong University, China in 1991. Over the past three years, Mr Liu has not been a director of any listed companies.

Zhang Rongming (張榮明), aged 51, is an executive Director of our Company. Mr Zhang joined our Group in December 2010 and is responsible for overseeing the strategies and development of the Group. He also serves as chairman of the board of directors and general manager of Beijing Aimer Lingerie Co., Ltd. (北京愛慕內衣有限公司). Mr Zhang received his Master of Applied Chemistry from Central South University, China in 1987 and his Bachelor of Metallurgical Physical Chemistry from the Beijing Institute of Iron and Steel Engineering, China in 1984, respectively. Mr Zhang was an independent director on the board of Lancy Co., Ltd, a PRC-listed company.

DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Fan Tai (樊泰), aged 42, joined our company as a non-executive Director on 7 March 2014. Mr Fan serves as the chief investment officer in KongZhong Corporation, a company listed on NASDAQ (stock code: KONG) since 2009. Mr Fan served as vice president of finance from 2002 to 2009 and executive director from 2003 to 2009 at TOM Online, a web portal. Mr Fan obtained his EMBA degree from State University of New Jersey, U.S. in 2003 and Bachelor of Economics degree from Beijing Institute of Economics, China in 1994. Over the past three years, Mr Fan has not been a director of any listed companies.

Chen Xian (陳弦), aged 32, has been our non-executive Director since 7 March 2014. Mr Chen also serves as managing director of CMC Capital Partners since May 2013. From July 2009 to March 2013, he worked at Providence Equity Asia Limited and served as a director by the time he left Providence Equity Asian Limited in March 2013. Prior to that, Mr Chen served at Morgan Stanley Private Equity Asia Division from 2004 to June 2009. Mr Chen obtained his Bachelor of Engineering degree in Electronics Engineering from Tsinghua University, China in 2003. Over the past three years, Mr Chen has not been a director of any listed companies.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ge Xuan (葛旋), aged 42, will be our independent non-executive Director with effect upon Listing. Mr Ge serves as director of Minsheng Life Insurance Co., Ltd. (民生人壽保險股份有限公司) and director general manager of Minsheng Tonghui Asset Management Co., Ltd. (民生通惠資產管理有限公司). Mr Ge served as vice general manager, investment management manager and assistant to general manager in Guosen Securities Co., Ltd. (國信證券股份有限公司) from September 1997 to September 1998. He also served as manager of trade investment and assistant to general manager of Boshi Fund Management Co., Ltd. (博時基金管理有限公司) from January 1999 to June 2000. He was a member of the Investment and Risk Management Committee, assistant to the president of Penghua Fund Management Co., Ltd. (鵬華基金管理有限公司) from July 2000 to March 2002, chief investment officer of Jin Yuan Securities Co., Ltd. (金元證券股份有限公司) from August 2002 to December 2003, and vice president of Huaxi Securities Co., Ltd. from December 2003 to October 2010 (華西證券有限責任公司). He has been a director of Wangxiang Trust Co., Ltd. since 18 August 2012. Mr Ge obtained his Bachelor's degree in economics from Shenzhen University in 1993. Over the past three years, Mr Ge has not been a director of any listed companies.

Lu Zhong (魯眾), aged 51, will be our independent non-executive Director with effect upon Listing. Mr Lu was a computer system engineer at the General Planning Bureau under the Ministry of Machine & Electric Industry of China from August 1984 to August 1990; deputy chief executive officer of 8848.net (北京珠穆朗瑪電子商務網絡服務有限公司) from May 2000 to May 2002; general sales manager of China and Hong Kong region of Advanced Micro Devices, Inc., a company listed on New York Stock Exchange (stock code: AMD) from July 2003 to October 2004. Mr Lu founded Beijing Langyan Information Technology Co., Ltd. (北京狼煙資訊技術有限公司) ("Beijing Langyan") in July 2005 and served as the chairman of the board and chief executive officer of Beijing Langyan since then until December 2008, when Beijing Langyan was acquired by HiChina.com (北京萬網誌成科技有限公司). Mr Lu then served as the chief strategy officer from then to September 2009 and the president from 2010 until December 2012 at HiChina.com. Mr Lu serves as a vice president of the Alibaba Group since December 2012. Mr Lu obtained his Bachelor's degree in computer and application from Harbin Institute of Electrical Engineering (哈爾濱電工學院) in 1984. Over the past three years, Mr Lu has not been a director of any listed companies.

Mr Cheung Chung Yan, David (張頌仁), aged 38, will be an independent non-executive Director of our Company with effect upon Listing. Prior to joining our Company. Mr Cheung has been the financial controller and the company secretary of Geely Automobile Holdings Limited (HK Stock Code: 175) since 17 May 2005. He is also a director of DSI Holdings Pty Limited. Mr Cheung holds a Bachelor's Degree in Business Administration in Accounting from the Hong Kong University of Science and Technology. He is a fellow

DIRECTORS AND SENIOR MANAGEMENT

member of the Association of Chartered Certified Accountants. Mr Cheung has over 16 years of experience in auditing, accounting and financial management. Over the past three years, Mr Cheung has not been a director of any listed companies.

To the best of the knowledge, information and belief of our Directors having made all reasonable enquiries, there are no other matters with respect to the appointments of our Directors and there is no information relating to our Directors that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

SENIOR MANAGEMENT

Our senior management is responsible for the day-to-day management of our business. The table below shows certain information in respect of the senior management of our Company:

Name	Age	Position / Titles in our Group	Role and Responsibilities
Yang Eric Qing (楊慶)	42	Co-Chief Executive Officer	General operation, strategy, information technology and marketing
Ng Kwok Leung Frank (伍國樑)	45	Co-Chief Executive Officer	Business development , finance, marketing and PC operation
Zhang Peng (張鵬)	37	President	Mobile operation

Zhang Peng (張鵬), aged 37, joined our Group as president in February 2014. Mr Zhang is responsible for mobile operation of the Company. He also served as assistant to general manager of Zhuowang Information Technology Co., Ltd. (卓望資訊技術有限公司) from April 2011 to November 2013. He founded and was the executive vice president of Yisanjiu Mobile Internet Company (一三九移動互聯網公司) from November 2008 to April 2011. He served as deputy head of business centre, deputy head of product development, deputy head of cooperation and management centre of the monternet division of China Mobile Communications Corporation, a company listed on both the New York Stock Exchange (stock code: CHL) and the Stock Exchange (stock code: 941) from September 1998 to October 2008. Mr Zhang received his Bachelor Degree in electronics and information systems from Shandong University, China in 1998. Over the past three years, Mr Zhang has not been a director of any listed companies.

JOINT COMPANY SECRETARIES

Ms Li Jin and Ms Sau Mui Ng are our joint company secretaries.

Li Jin, aged 33, has been the general manager of Lianzhong and director of Shanghai Yaozhong since its incorporation in 2012. Ms Li previously served as the deputy general manager of Lianzhong from 10 April 2011 to 8 August 2012 and general legal counsel of Lianzhong since 10 April 2011 and was an attorney at King & Wood in Beijing from July 2006 to March 2011. She received her Master's degree in law and her Bachelor's degree in law from University of International Business and Economics in 2006 and in 2003 respectively.

Sau Mui Ng, aged 36, is a manager of KCS Hong Kong Limited. She has over 13 years of experience in company secretarial field. She has extensive knowledge and experience in dealing with corporate governance, regulatory and compliance affairs of companies listed on the Stock Exchange. Ms Ng has been an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom since 2007. She obtained a Bachelor Degree in Laws from City University of Hong Kong in 2001.

DIRECTORS AND SENIOR MANAGEMENT

COMMITTEES UNDER THE BOARD OF DIRECTORS

Audit Committee

We have established an audit committee in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the audit committee is to review and supervise the financial reporting process and internal controls system of the Group, review and approve connected transactions and provide advice and comments to the board of Directors.

The audit committee consists of 3 members: Mr Cheung Chung Yan David, Mr Fan Tai and Mr Ge Xuan. Mr Fan is a Non-executive Director and Mr Cheung and Ge are independent non-executive Directors. Mr Cheung is the chairman of the audit committee.

Remuneration Committee

We have established a remuneration committee in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code set out in Appendix 14 to the Listing Rules. The primary duties of the remuneration committee is to review and make recommendations to the Board the terms of remuneration packages, bonuses and other compensation payable to our Directors and other senior management.

The remuneration committee consists of 3 members: Mr Lu Zhong, Mr Cheung Chung Yan David and Mr Ge Xuan, all being independent non-executive Directors. Mr Lu is the chairman of the remuneration committee.

Nomination and Corporate Governance Committee

We have established a nomination and corporate governance committee in compliance with the Code on Corporate Governance in Appendix 14 of the Listing Rules. The primary duties of the nomination and corporate governance committee are to make recommendations to our Board on the appointment of Directors and management of Board succession.

The nomination and corporate governance committee consists of 5 members: Mr Lu Zhong, Mr Yang Eric Qing, Mr Cheung Chung Yan David, Mr Chen Xian and Mr Ge Xuan. Mr Yang is the executive Director, Mr Chen is a Non-executive Director and Mr Lu Zhong, Mr Cheung and Mr Ge Xuan are independent non-executive Directors. Mr Yang is the chairman of the nomination and corporate governance committee.

Risk Management Committee

We have established a risk management committee. The primary duties of the risk management committee are to formulate policies on risk management matters and to advise on matters raised by the Directors and the management that may have an impact on the stability and integrity of the securities and derivatives markets of Hong Kong.

The risk management committee consists of 3 members: Mr Ng Kwok Leung Frank, Mr Ge Xuan and Mr Lu Zhong. Mr Ng is the executive Director and Mr Ge Xuan and Mr Lu Zhong are Independent Non-executive Directors. Mr Ng is the chairman of the risk management committee.

MANAGEMENT PRESENCE

According to Rule 8.12 of the Listing Rules, we must have sufficient management presence in Hong Kong. This normally means that at least two of our executive Directors must be ordinarily resident in Hong Kong. Currently, given our Group's main business operations are located in China and most of our executive Directors ordinarily reside in the PRC, we do not and, for the foreseeable future, will not have sufficient management presence in Hong Kong.

DIRECTORS AND SENIOR MANAGEMENT

Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rule 8.12 of the Listing Rules, subject to the conditions that, among other things, we maintain the following arrangements to maintain effective communication between us and the Stock Exchange:

- (a) We have appointed two authorised representatives pursuant to Rules 2.11 and 3.05 of the Listing Rules, who will act as the Group's principal channel of communication with the Stock Exchange. The authorised representatives are Mr Ng Kwok Leung Frank and Ms Ng Sau Mei. Mr Ng is an executive Director of the Company and Ms Ng is our company secretary. Each of the authorised representatives will be able to meet with the Stock Exchange within a reasonable period upon request, if required. Our authorised representatives will be readily contactable by telephone, facsimile and email, and is authorised to communicate on behalf of the Company with the Stock Exchange.
- (b) The authorised representatives have means of contacting our Directors promptly at all times and as and when the Stock Exchange wishes to contact our Directors on any matters. To enhance communication among the Stock Exchange, the authorised representatives, our Directors and the Company, we have implemented a policy whereby: (i) each Director will have to provide his office phone number, facsimile number and email address to the authorised representatives; and (ii) in the event that a Director expects to travel or be out of the office, he will have to provide the phone number of the place of his accommodation to the authorised representatives. Further, for convenience of communication, each Director has provided his means of contact to the Stock Exchange.
- (c) We have, in accordance with Rule 3A.19 of the Listing Rules, appointed TC Capital Asia Limited as our compliance adviser, who will, among other things, act as an alternate channel of communication with the Stock Exchange.
- (d) All of our Directors who are not ordinarily resident in Hong Kong have confirmed that they possess valid travel documents to visit Hong Kong and will be able to meet with the Stock Exchange in Hong Kong, within a reasonable period, upon the request of the Stock Exchange.

DIRECTORS' REMUNERATION

The aggregate amounts of remuneration (including salaries, stock-based benefits and other allowances and benefits in kind and discretionary bonuses) paid by our Group to the Directors for each of the financial years ended 31 December 2011, 2012 and 2013 were approximately RMB1,834,000, RMB2,442,000 and RMB1,331,000, respectively.

No remuneration was paid by the Group to the Directors or the five highest paid individuals as an inducement to join or upon joining the Group or as a compensation for loss of office in respect of the three financial years ended 31 December 2011, 2012 and 2013. Further, none of our Directors had waived any remuneration during the same period.

Under our arrangements currently in force, the aggregate remuneration of our Directors, excluding any discretionary bonuses, for the financial year ending 31 December 2014 is estimated to be no more than approximately HK\$2,185,624.

The Directors anticipate that they will periodically review the compensation levels of key executives of the Group. Based on the Group's performance and the executives' respective contributions to the Group, the Directors may, with the approval of the Company's remuneration committee, grant salary increases or pay bonuses to executives. These increases or bonuses could result in the incurrence of compensation expense at levels that are significantly higher than those incurred by the Group in prior periods.

DIRECTORS AND SENIOR MANAGEMENT

The non-executive Directors and the independent non-executive Directors are entitled to receive directors' fees, which are recommended by our remuneration committee and determined by the Board. All Directors receive reimbursements from the Company for expenses which are necessarily and reasonably incurred for providing services to the Company or executing matters in relation to the operations of the Company.

Please refer to Appendix IV of this prospectus for details of our Pre-IPO Share Option Schemes.

COMPLIANCE ADVISER

We have appointed TC Capital Asia Limited as our compliance advisor (the "**Compliance Advisor**") pursuant to Rule 3A.19 of the Listing Rules. The Compliance Advisor will provide us with guidance and advice as to compliance with the requirements under the Listing Rules and applicable Hong Kong laws. Pursuant to Rule 3A.23 of the Listing Rules, the Compliance Advisor will advise our Company, among others, in the following circumstances:

- (a) before the publication of any regulatory announcement, circular, or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;
- (c) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where the business activities, development or results of our Group deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry to the Company regarding unusual movements in the price or trading volume of its listed securities or any other matters in accordance with Rule 13.10 of the Listing Rules.

The term of appointment of the Compliance Advisor shall commence on the Listing Date and is expected to end on the date on which we comply with Rule 13.46 of the Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, the following persons will, immediately following the completion of the Global Offering and the Capitalisation Issue and taking account of any Shares which may be taken up under the Global Offering (assuming the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which are granted under the Management Pre-IPO Share Option Scheme), or which may be sold pursuant to the exercise of the Over-allotment Option, have beneficial interests or short positions in Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are directly and/or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company and are therefore regarded as substantial shareholders of our Company under the Listing Rules:

Name of shareholder	Nature of interest	Number and class of securities	Approximate percentage of interest in our Company immediately after the Global Offering
Mr Zhang	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Elite Vessels Limited	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Mr Liu	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Sonic Force Limited	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Blink Milestones Limited	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Mr Shen	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Prosper Macrocism Limited	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Ms Long	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
Golden Liberator Limited	Interest of a party to an agreement regarding interest in the company ⁽¹⁾	359,961,364	45.91%
CMC Ace Holdings Limited	Beneficial owner	117,600,000	15.00%

Note:

(1) Pursuant to the Concert Party Agreement.

Save as disclosed herein, our Directors are not aware of any person who will, immediately following the completion of the Global Offering and the Capitalisation Issue (but without taking into account Shares to be sold pursuant to the exercise of the Over-allotment Option or option which may be granted under the Management Pre-IPO Share Option Scheme), have interests or short positions in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who are, directly or indirectly, interest in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group.

SHARE CAPITAL

The following is a description of our authorised and issued share capital in issue and to be issued as fully paid or credited as fully paid immediately before and after completion of the Global Offering.

	(Nominal Value)
	US\$
Authorised Share Capital	
1,000,000,000	50,000
Issued Share Capital as at the date of this prospectus	
285,714,284	14,285.7142
Issued Share Capital upon conversion of the Series A Preferred Shares and Capitalisation	
Issue:	
588,000,000	29,400
Shares to be Issued pursuant to the Global Offering:	
196,000,000	9,800
Total Issued Share Capital on Completion of Global Offering:	
784,000,000	39,200

ASSUMPTIONS

The above table assumes that the Global Offering becomes unconditional but does not take into account the exercise of any options to be granted under the Management Pre-IPO Share Option Scheme or which may be issued or repurchased pursuant to the general mandate given to the Directors for issue and allotment of Shares referred to in Appendix IV to this prospectus or the repurchase mandate referred to in Appendix IV to this prospectus, as the case may be.

RANKING

The Shares are ordinary shares in our share capital and rank equally with all Shares currently in issue and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

GENERAL MEETINGS

Our Company conducts Shareholders' meetings from time to time as required under the laws of the Cayman Islands, our Articles and the Listing Rules. Please refer to Appendix III "Summary of the Constitution of the Company and Cayman Islands Law".

GENERAL MANDATE TO ISSUE SHARES

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to allot, issue and deal with the Shares (otherwise than pursuant to, or in consequence of, the Global Offering, a rights issue or any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders) with an aggregate nominal value of not more than the sum of:

- 20% of the aggregate nominal value of our share capital in issue immediately following the completion of the Global Offering and the Capitalisation Issue; and
- the aggregate nominal value of our share capital repurchased by us (if any) under the general mandate to repurchase Shares referred to below.

SHARE CAPITAL

This general mandate to issue Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

Particulars of this general mandate to allot, issue and deal with Shares are set forth in the paragraph headed “Written resolutions of the shareholders passed on 12 June 2014” in Appendix IV to this prospectus.

REPURCHASE MANDATE

Conditional on the Global Offering becoming unconditional, our Directors have been granted a general unconditional mandate to exercise all our powers to repurchase Shares (Shares which may be listed on the Stock Exchange) with a total nominal value of not more than 10% of the aggregate nominal value of our share capital in issue immediately following the completion of the Capitalization Issue and the Global Offering.

This mandate only relates to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognised by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the Listing Rules. A summary of the relevant Listing Rules is set out in “Written resolutions of the shareholders passed on 12 June 2014” in Appendix IV to this prospectus.

The general mandate to repurchase Shares will remain in effect until:

- the conclusion of our next annual general meeting;
- the expiration of the period within which our next annual general meeting is required by any applicable law or the Articles of Association to be held; or
- it is varied or revoked by an ordinary resolution of our shareholders in general meeting,

whichever is the earliest.

PRE-IPO SHARE OPTION SCHEMES

Please refer to Appendix IV “Statutory and General Information” for details on the Pre-IPO Share Option Schemes.

CORNERSTONE INVESTMENT

THE CORNERSTONE PLACING

As part of the International Placing, we and the Joint Global Coordinators have entered into the Cornerstone Investment Agreement with the Cornerstone Investor. The Cornerstone Investor has agreed to cause an asset manager that is a qualified domestic institutional investor through its affiliate to subscribe on its behalf at the Offer Price for such number of Offer Shares (rounded down to the nearest whole board lot of 1,000 Shares) that may be purchased for an aggregate amount of US\$5 million (approximately HK\$38.8 million) (the “**Cornerstone Placing**”). Assuming an Offer Price of HK\$3.70, HK\$4.25 and HK\$4.80 (being the minimum, mid-point and maximum of the indicative Offer Price range stated in this prospectus), the total number of Offer Shares to be subscribed for by the Cornerstone Investor would be 10,476,216, 9,120,471 and 8,075,417 Shares respectively, representing (i) approximately 1.34%, 1.16% and 1.03% respectively of the Shares in issue and outstanding upon the completion of the Global Offering and the Capitalization Issue; and (ii) approximately 5.35%, 4.65%, and 4.12% of the total number of Offer Shares, respectively (in both case assuming that the Over-allotment Option is not exercised).

The Cornerstone Investor is an independent third party and is not a connected person of our Company. The Cornerstone Investor will acquire the Offer Shares pursuant to, and as part of, the International Placing and through the Joint Global Coordinators or their affiliates in their capacity as International Underwriters of the International Placing. The Cornerstone Investor will not acquire any Offer Shares under the Global Offering, other than pursuant to the Cornerstone Investment Agreement.

The Offer Shares to be acquired by the Cornerstone Investor will rank pari passu with the fully paid Shares then in issue and will be counted towards the public float of our Company. Immediately following the completion of the Global Offering, the Cornerstone Investor will not have any representation on the Board or become our substantial shareholder. The Cornerstone Investor has not entered into any side arrangement with the Company or the Joint Global Coordinators. No special right has been granted to the Cornerstone Investor apart from its guaranteed allocation of Offer Shares pursuant to the Cornerstone Investment Agreement.

The Offer Shares to be acquired by the Cornerstone Investor will not be subject to re-allocation of Shares between the International Placing and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering or be affected by any exercise of the Over-allotment Option to be granted by the Company to the Joint Global Coordinators.

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We and the Joint Global Coordinators entered into a Cornerstone Investment Agreement with People Okooo Media Technology Co. Ltd (“**People Okooo**”) on 9 June 2014 in respect of the Cornerstone Placing.

People Okooo is one of the largest online lottery operators in China with more than 8 million registered users on its online portal, okooo.com, as of 31 March 2014. People Okooo is a subsidiary of people.cn, and people.cn is a listed culture media company controlled by People’s Daily.

CONDITIONS PRECEDENT

The obligations of the Cornerstone Investor to acquire the Offer Shares under the Cornerstone Investment Agreement are subject to, among other things, the following conditions precedent:

- the Hong Kong Underwriting Agreement and the International Underwriting Agreement having been entered into, become effective and having become unconditional (in accordance with their respective original terms, as subsequently varied by agreement of the parties thereto or waived, to the extent it may be waived, by the relevant parties) by no later than the time and date as specified therein;

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- neither of the aforesaid agreements having been terminated;
- the Offer Price having been agreed upon between the Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters and the International Underwriters);
- the Listing Committee of the Hong Kong Stock Exchange having granted the approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering and that such approval having not been revoked prior to the commencement of dealings in the Shares on the Hong Kong Stock Exchange;
- no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated under the Global Offering or hereunder and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of the transactions contemplated under the Global Offering or under the Cornerstone Investment Agreement; and
- the respective representations, warranties and confirmations of the Investor and the Company are accurate and true in all material respects and not misleading and that there is no material breach of the Cornerstone Investment Agreement on the part of the Cornerstone Investor and the Company.

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

The Cornerstone Investor has agreed that, without the prior written consent of the Company and the Sole Global Coordinator, it will not, whether directly or indirectly, at any time during the period of six months following the Listing Date (the “Lock-up Period”), dispose of any of the Shares acquired under the Cornerstone Investment Agreement or securities deriving from such Shares.

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You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report in Appendix I to this prospectus. Our consolidated financial information has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions, including the United States.

The following discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and financial performance. These statements are based on our assumptions and analysis in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and predictions depends on a number of risks and uncertainties. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2011, 2012 and 2013 refer to our financial years ended 31 December of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We are a leading online card and board game developer and operator in China with a strong brand and leading expertise in integrated online and offline operations. According to the Analysys Report, we are the second largest online card and board game operator in China as measured by the number of online card and board games offered as of 31 December 2013. According to the Analysys Report, we ranked third among online game companies as measured by revenue derived from the PRC online card and board game market in 2013⁽¹⁾.

We have an integrated online game platform, offering both PC and mobile games through multiple distribution channels. Players can play our PC games on our PC client portal Ourgame Hall (聯眾大廳) and our websites, as well as through approximately 30 third-party distributors, including popular internet portals such as Baidu, Sina Weibo and Qihoo 360. We also have an expanding portfolio of mobile games for both Google's Android and Apple's iOS operating systems, distributed through a number of distribution channels. Our integrated online game platform is supported by universal user IDs and universal virtual game points. A player can use the same ID to play substantially all of our games on multiple PCs and mobile devices. We have a universal PC virtual game point system that supports over 20 PC games.

We derive our revenue primarily from online games under three operation models, namely, self-developed games, licensed games and third-party operated games. Distributing third-party operated non-card-and-board games allows us to monetize a broader range of our player base, but these games may also compete for players with our self-developed games. During the Track Record Period, we increasingly prioritized promotion of our self-developed games. As a result, the percentage of our revenue contributed by self-developed games increased from 59.0% in 2011 to 80.2% in 2013 and further to 84.7% in the first three months of 2014, whereas the percentage of our revenue contributed by third-party operated games decreased from 26.5% in 2011 to 6.2% in 2013 and was 7.3% in the first three months of 2014, and the percentage of our revenue contributed by licensed games also declined slightly from 13.2% in 2011 to 9.4% in 2013 and further to 7.0% in the first three months of 2014. During the Track Record Period, we also increasingly focused on the development and operation of mobile games, substantially all of which were self-developed games. The percentage of our revenue contributed by mobile games increased from 2.5% in 2011 to 6.6% in 2013 and further to 18.6% in the first three months of 2014.

Since our inception in 1998, we have capitalised on our early-mover advantage to build a highly recognizable online card and board game brand in China. In 2012, the State Administration for Industry and Commerce awarded our trademark "Ourgame Club" ("聯眾俱樂部") the title of "China Famous Trade Mark".

⁽¹⁾ Revenue from simplified Chinese card and board game versions is used to estimate the revenue derived from the PRC online card and board game market for some industry participants under analysis. Please refer to the section headed "Industry Overview — Competitive Landscape in the Online Card and Board Game Industry in the PRC" of this prospectus.

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We have a balanced portfolio of over 200 online games. A substantial number of these games are classic card and board games with long history in the real world and long product lifespans. We do not rely on any single game category to build our player base and generate revenues. During the Track Record Period, no single game category accounted for more than one-third of our total revenue. We monetize our games primarily by offering virtual goods such as personalized avatars. All of our card and board games are free to play, which helps us attract a large player base. We give our players a limited number of virtual game points for basic game play, and players who desire enhanced playing experience may purchase our virtual goods.

Our business grew rapidly during the Track Record Period. The average MAUs for our PC games increased from 4.8 million in 2011 to 9.9 million in 2013 and amounted to 9.8 million in the first quarter of 2014. Our mobile player base expanded particularly significantly since we launched our first mobile game for smart mobile devices in January 2011. The combined average MAUs for our top three mobile games increased from 7.9 million in the first quarter of 2013 to 14.1 million in the first quarter of 2014. For the year ended 31 December 2013 and the three months ended 31 March 2014, the average MAUs for our top three mobile games exceeded the average MAUs for our PC games. During the Track Record Period, our revenue increased from RMB153.9 million in 2011 to RMB236.3 million in 2013, representing a CAGR of 23.9%, and increased by 101.3% from RMB46.2 million in the three months ended 31 March 2013 to RMB93.0 million in the three months ended 31 March 2014; and our net profit increased from RMB26.5 million in 2011 to RMB40.5 million in 2013, representing a CAGR of 23.5%, and increased from RMB1.8 million in the three months ended 31 March 2013 to RMB21.6 million in the three months ended 31 March 2014.

BASIS OF PRESENTATION

Our Company was incorporated in the Cayman Islands on 4 December 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The Company is an investment holding company and its subsidiaries are principally engaged in the development and operation of online card and board games (the “**Listing Business**”) in the PRC. Prior to the incorporation of the Company and completion of the reorganization pursuant to which the beneficial interests in the companies engaged in the Listing Business were transferred to the Company (the “**Reorganization**”), the Listing Business was carried out by the PRC Operating Entities, which were under the control of Mr Liu, Mr Zhang, Mr Li Jianhua, Mr Shen and Ms Long. Pursuant to the Reorganization, the PRC Operating Entities and the Listing Business were under the effective control of the WFOE, and ultimately the Company, through the Contractual Arrangements. Prior to the Reorganization, the Company had not been involved in any other business and its operation did not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business and does not result in any changes in the substance of the business. Accordingly, the financial information of the companies now comprising the Group is presented using the carrying value of the Listing Business for all periods presented. All intra-group transactions and balances between group companies have been eliminated on consolidation.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATION

Our results of operations have been, and are expected to continue to be, affected by a number of factors, including factors generally affecting the online game industry in China and factors specifically affecting our Company’s operation.

General Factors Affecting the Online Game Industry in China

Our results of operation are affected by general conditions typically affecting the online game industry in China, including the overall economic condition, the increasing use of the internet and mobile devices and the regulatory environment in the PRC. Our revenue growth depends on our players’ willingness to spend on our online games, which may in turn depend on their disposable income and perceived future earnings. Therefore, the general conditions and outlook of the Chinese economy may have a significant impact on our business and prospects.

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The number of internet users, especially mobile internet users, have grown significantly in the past several years. The continued penetration of internet access and mobile devices such as smartphones and tablets will significantly affect the expansion of our player base and the growth of revenue.

As electronic publications that provide telecommunication services and internet culture services, online games are subject to various PRC laws and the supervision and regulation of multiple government authorities including the MIIT, the GAPP, the MOC, the National Copyright Administration, the Ministry of Education and the Ministry of Public Security. For example, currently all online games operated in the PRC are required to include an anti-addiction system that reduces the in-game incentives after a certain period of playing time each day for players who have not been determined to be over 18 years old through real-name authentication. The issuance of virtual currencies and transactions of virtual goods are also subject to PRC regulations. These and other government regulations of online games have affected and will continue to affect our game designs and compliance measures, which in turn may affect the attractiveness and monetization capabilities of our games.

Ability to Develop Engaging Games and Grow Our Player Base

Substantially all of our revenue is derived from the consumption of virtual goods by our players. Therefore, our results of operation depend on our ability to develop and operate highly engaging games that appeal to a broad base of players. We offered over 200 online games as of 31 March 2014, and we plan to launch multiple new games in the remaining nine months of 2014, most of which will be mobile card and board games. Due to the popularity of our new and existing online games, both our PC player base and particularly our mobile player base have grown significantly in recent years.

During the Track Record Period, the growth of our PC player base primarily benefited from continued popularity of our existing game categories. For example, although our first *Fight the Landlord* PC game was launched over 12 years ago, the average PC MAUs for this category increased significantly during the Track Record Period, from 0.9 million in 2011 to 3.2 million in 2013 and further to 3.4 million in the first quarter of 2014. Such continued growth of our existing game categories was partly due to the launch of several web games during the Track Record Period, such as *Tiantian Fight the Landlord* in 2011.

During the Track Record Period, the growth of our mobile player base was primarily driven by the launch of several new and popular mobile games. For example, we launched *Tiantian Fight the Landlord* in 2011, and its MAUs increased from 6.6 million in the first quarter of 2013 to 11.8 million in the first quarter of 2014. Similarly, we launched *Talent Mahjong* in 2012, and its MAUs increased from 1.1 million in the first quarter of 2013 to 2.2 million in the first quarter of 2014. Largely due to the popularity of these new mobile games, our mobile MAUs exceeded our PC MAUs in 2013 and the first quarter of 2014. We plan to launch a number of new mobile games in the next few years, and our future growth will to a significant extent depend on our ability to capitalise on the continued penetration of mobile internet access and rapid growth of mobile device users.

We have also started to organise high-profile combined online and offline card and board game tournaments in recent years, such as an annual Texas Hold'em tournament sanctioned by the World Poker Tour in Sanya, Hainan since 2012. These combined online and offline tournaments are an important promotional tool for us to further enhance our brand recognition and attract new players to our online games.

Ability to Accelerate Monetization of Our Players

We have generated and will continue to generate substantially all of our revenue from sales of our virtual goods which allow players to enhance their playing experience and receive prioritized customer service. Our revenue growth depends on our ability to monetize our players by expanding our paying player base and by increasing ARPPU. We rely on the creativity and know-how of our game operation team to offer attractive virtual goods to our players and effectively price our virtual goods during different times of the year. The following table sets

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forth the average MPUs and ARPPU of our self-developed PC games and our mobile games for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
Self-developed PC games					
MPUs (in thousands)	166.2	192.5	256.5	206.6	309.0
ARPPU (in RMB)	45.0	62.4	57.9	56.6	71.7
Mobile games⁽¹⁾					
MPUs (in thousands)	—	—	105.7 ⁽²⁾	—	259.4 ⁽³⁾
ARPPU (in RMB)	—	—	12.6 ⁽²⁾	—	15.7 ⁽³⁾

Notes:

- (1) The calculation of MPUs and ARPPU of mobile games does not include mobile games on non-smart mobile devices, for which data are not available.
- (2) Included two mobile games, *Tiantian Fight the Landlord* and *Talent Mahjong*, for the last three quarters of 2013. Before the second quarter of 2013, we primarily focused on attracting and retaining a broad base of players and did not monetize the players of these two games. Additionally, although we had immaterial revenue from various single-player mobile games, primarily Java-based games, before 2013, we did not have MPUs or ARPPU data for mobile games in 2011 and 2012. In 2013, *Tiantian Fight the Landlord* and *Talent Mahjong* accounted for 76.8% of our total mobile revenue, and other mobile games accounted for 23.2% of our total mobile revenue.
- (3) Included two mobile games, *Tiantian Fight the Landlord* and *Talent Mahjong*, which accounted for 70.7% of our total mobile revenue in the three months ended 31 March 2014.

The average MPUs for our self-developed PC games increased from 166.2 thousand in 2011 to 192.5 thousand in 2012 and to 256.5 thousand in 2013 and further to 309.0 thousand in the first quarter of 2014. The ARPPU for our self-developed PC games increased from RMB45.0 in 2011 to RMB62.4 in 2012, decreased to RMB57.9 in 2013 but increased again to RMB71.7 in the first quarter of 2014. The decrease in ARPPU in 2013 as compared to 2012 was primarily due to two reasons. First, in late 2012 we started to offer our PC game players the option of making payments through payment channels provided by mobile carriers, which generally imposed a payment cap for each transaction. As such, although the additional payment option significantly increased our PC MPUs in 2013, our PC ARPPU decreased slightly in 2013. Furthermore, during the first half of 2013 we focused on implementing our long-term strategy of fully integrating our PC client games and web games instead of pursuing short-term PC revenue growth. After such integration was completed, the ARPPU for our self-developed PC games showed significant growth in the second half of 2013 and the first quarter of 2014, increasing from RMB56.6 in the first quarter of 2013 to RMB71.7 in the first quarter of 2014.

A critical factor for our continued revenue growth in the coming years is our ability to effectively monetize our rapidly expanding mobile player base. We started to generate substantial revenue from our mobile games for smart mobile devices in the second quarter of 2013. Since then, the percentage of our mobile MAUs that are MPUs increased from 0.6% in the second quarter of 2013 to 1.8% in the first quarter of 2014, and our mobile ARPPU increased from RMB9.9 in the second quarter of 2013 to RMB15.7 in the first quarter of 2014. We expect that our mobile MPUs and mobile ARPPU will continue to grow in the remaining nine months of 2014 as we launch more mobile games with better monetization capabilities.

Revenue Contributions by Different Operation Models

We derive our revenue primarily from online games under three operation models, namely, self-developed games, licensed games and third-party operated games. Distributing third-party operated games, which are non-card-and-board games, allows us to monetize a broader range of our player base, but these games may also compete for players with our self-operated games. During the Track Record Period, as we prioritized promotion of our self-developed games, the percentage of our revenue contributed by third-party operated games declined gradually, from 26.5% in 2011 to 16.2% in 2012 and to 6.2% in 2013 and was 7.3% in the first three months of

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2014. In comparison, as we launched several popular self-developed PC and mobile games during the Track Record Period, the percentage of our revenue contributed by self-developed games increased from 59.0% in 2011 to 70.3% in 2012 and to 80.2% in 2013 and further to 84.7% in the first three months of 2014. The percentage of our revenue contributed by licensed games gradually declined during the Track Record Period, which was 13.2%, 10.1%, 9.4% and 7.0% in 2011, 2012, 2013 and the first three months of 2014, respectively. We plan to maintain our primary focus on self-developed card and board games in the coming years and we expect that we will continue to derive a large majority of our revenue from self-developed games.

Effective Control of Costs and Expenses

To maintain and increase our profitability, we must effectively manage our costs and expenses. Our cost of revenue represented 30.2%, 26.9%, 33.8% and 33.4% of our revenue for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively.

Our PC games are distributed through both our proprietary channels and third-party channels, and our mobile games are primarily distributed through third party channels. Furthermore, we utilise various third-party payment channels to collect payments from our players. A significant and growing component of our cost of revenue is channel commission fees charged by mobile carriers and other distribution and payment channels, which accounted for 6.5%, 7.1%, 13.0% and 16.6% of our revenue for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively. In particular, distribution and payment channel fees charged by China Mobile accounted for 1.1%, 1.7%, 9.6% and 7.6% of our revenue for the same periods, respectively. The significant increase in 2013 and the first three months of 2014 was due to both our strong mobile revenue growth and our increasing use of mobile carrier channels for our PC games. Our ability to maintain and expand business relationships with distribution and payment channels will have a significant impact on the growth of our revenue and the effective control of our costs.

We expect that distribution and payment channel costs, especially mobile carrier channel costs, will continue to increase as our mobile game business continues to expand rapidly. In 2014 and the next few years, we expect that our results of operation will continue to benefit from a growing percentage of revenue derived from mobile games. At the same time, although our gross profit is expected to continue to grow at a fast pace, our gross margin is likely to decrease due to corresponding increase in cost of revenue for our mobile game business.

Our operating expenses include selling and marketing expenses, administrative expenses and research and development expenses. We expect that our selling and marketing expenses and research and development expenses will increase as we plan to develop, launch and promote a substantial number of new mobile games in the coming years. However, these increases are likely to be partially offset by our increasing economies of scale and improving operational efficiency. Overall, we do not expect our operating expenses to increase significantly as a percentage of our growing revenue.

Competition

The online game industry is highly competitive. Currently we primarily compete with other China-based operators of online card and board games, including comprehensive internet portals with an online card and board game business. We expect more companies to enter this business and a number of new online card and board games to be introduced. Our results of operation will depend on our ability to effectively compete for online card and board game players, talented game developers as well as experienced management and marketing personnel.

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SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

We have identified certain accounting policies that are significant to the preparation of our consolidated financial statements. Some of our accounting policies involve subjective assumptions and estimates, as well as judgments relating to accounting items. Estimates and judgments are continually re-evaluated and are based on historical experience and other factors, including industry practices and expectations of future events that are believed to be reasonable under the circumstances. We have not changed our assumptions or estimates in the past and have not noticed any material errors regarding our assumptions or estimates. Under current circumstances, we do not expect that our assumptions or estimates are likely to change significantly in the future. When reviewing our consolidated financial statements, you should consider (i) our critical accounting policies, (ii) the judgments and other uncertainties affecting the application of such policies and (iii) the sensitivity of reported results to changes in conditions and assumptions.

We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies, estimates and judgments, which are important for an understanding of our financial condition and results of operations, are set forth in detail in Notes 2 and 3 to the Accountant's Report in Appendix I to this prospectus.

Revenue Recognition

We are engaged in the development and operation of online card and board games that consist of PC and mobile games. Our games include self-developed games, licensed games and third-party operated games.

Our revenue is principally derived from the sale of in-game virtual goods. Revenue comprises the fair value of the consideration received or receivable for the sale of virtual goods, net of related surcharges and discounts. Substantially all of our games are free to play and players can pay for virtual goods for better in-game experience. Players purchase our universal virtual currency for PC games, Ourgame Coin, or our universal virtual currency for mobile games, Yuanbao (collectively, the “**Virtual Currencies**”), through third-party payment channels, which mainly include electronic payment systems, or through the purchase of pre-paid game cards. For proceeds collected from electronic payment systems, such as online banking services and mobile carrier payment channels, once a purchase request is confirmed by the paying player, we will receive an electronic purchase and delivery confirmation from the corresponding payment channel. Such player's account will then be credited with the corresponding Virtual Currencies and we will recognise these proceeds collected from the sale of such Virtual Currencies as deferred revenue. The Virtual Currencies can be used to exchange for virtual goods such as personalized avatars. Paying players usually exchange their Virtual Currencies for the virtual goods shortly after purchase. Upon the exchange request, our computer system will automatically execute the transaction by reducing the Virtual Currencies and delivering the virtual goods to the user account. Our computer system captures the detailed record for the virtual goods exchanged with the Virtual Currencies by each paying player. Each paying player may also check the history of their purchase of virtual goods through our website. Provided that it is probable that the economic benefits will flow to us and that the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

Self-developed and licensed PC games

We have an integrated online game platform with multiple distribution channels. We distribute locally installed PC games and provide services through our proprietary PC client portal, Ourgame Hall. We also offer web games playable on web pages served by us on ourgame.com and lianzhong.com and by third-party distribution channels, which include websites and web-based portals such as Baidu, Sina Weibo and Qihoo 360.

For our self-developed games and licensed games, we are responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and

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resolving in-game cheating and hacking activities. Third-party distribution and payment channels are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections related to the games.

Third-party distribution and payment channels collect the payments from our paying players and remit the cash to us, net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between us and the third-party distribution or payment channels.

Upon the sales of the Virtual Currencies, we typically have an implied obligation to provide the services which enable the virtual goods exchanged with the Virtual Currencies to be displayed or used in the games. As a result, the proceeds received from sales of the Virtual Currencies are recorded as deferred revenue. With the pre-paid game cards, paying players can credit their user accounts with virtual currencies and exchange for virtual goods in the same way. Proceeds received from the sale of pre-paid game cards are recorded as deferred revenue. The attributable portion of the deferred revenue relating to values of the virtual goods consumed are immediately or ratably recognised as revenue only when the services are rendered to the respective paying players. Our pre-paid game cards generally have an expiry date of two to 2.5 years from the date of game card production. The proceeds from the pre-paid game cards that have never been credited to the user accounts are recognised as revenue when we no longer allow their redemption after expiration of the game cards. During the Track Record Period, there was no forfeiture income recognised by the Group.

For the purposes of determining when services have been provided to the respective paying players, we have determined the following:

- Consumable virtual goods represent items (i) that have a predetermined service period; or (ii) where no service is rendered by the Group for the virtual goods immediately after purchase by the paying players. Revenue is recognised (as a release from deferred revenue) when the goods are consumed and the related services are rendered, or ratably over the predetermined service period of the respective consumable virtual goods.
- Durable virtual goods represent items that have no predetermined service period and are accessible and beneficial to paying players over an extended period of time. Revenue is recognised ratably over the expected life of the respective durable virtual goods (“**Player Relationship Period**”).

The current classification of “consumable virtual goods” and “durable virtual goods” are consistent with the reality of our business operations and sets a framework to analyse when goods have been delivered or the services have been provided to the respective paying players.

For our self-developed games and licensed games, our computer system captures all player data, such as log-in data, purchase and delivery records for the Virtual Currencies sold and the virtual goods exchanged with the Virtual Currencies. We estimate the Player Relationship Period based on an overall game by game basis and platform by platform basis and re-assess such periods annually. If there are insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, we estimate the Player Relationship Period based on other similar types of games developed by us or by third-party developers until the new game establishes its own patterns and history. We mainly consider the time interval between paying players’ consecutive recharges of their user accounts with additional Virtual Currencies in estimating the Player Relationship Period. The Directors and the Reporting Accountants consider this accounting treatment reasonable as it reflects the paying players’ average spending and consumption behaviour. For our gamers, the paying players typically recharge their user accounts when the previously purchased virtual goods become obsolete or exhausted. Therefore, such time interval represents a reasonable estimate of the average expected life of the durable virtual goods. During the Track Record Period, we only offered durable virtual goods in four licensed MMOGs, which in aggregate represented less than 10% of our revenues during the Track Record Period. Of these games, R2 has the longest operational history and accounted for a large majority of our revenue derived

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from all licensed games in 2011, 2012 and 2013, respectively. During the Track Record Period, the Player Relationship Period of *R2* was 45 days. The other three games have relatively short operational histories, and as such we do not have sufficient data to directly estimate their Player Relationship Periods. Therefore, we have used the Player Relationship Period of *R2*, which is of a similar type of game, as a preliminary estimate of the Player Relationship Periods of these other games.

If we do not have the ability to differentiate revenue attributable to durable virtual goods from consumable virtual goods for a specific product, item or game, we recognise revenue from both durable and consumable virtual goods ratably over the average life of the durable virtual goods, or over the Player Relationship Period.

For revenues relating to our self-developed games and licensed games, we have evaluated the roles and responsibilities of us, on the one hand, and the game license holders and the third-party distribution and payment channels, on the other hand, in the delivery of game experience to the paying players and concluded that we take the primary responsibilities in rendering services. We are determined to be the primary obligor and, accordingly, we record revenue on a gross basis, and commission charges by game license holders and third-party distribution and payment channels are recorded as cost of revenue.

Third-party operated PC games

We also distribute PC games developed and operated by third-party developers on our own proprietary platform including our client portal and websites. Our revenue mainly consists of pre-determined portions of total player payments according to the relevant terms of the agreements entered into between us and the game developers.

The games distributed on our platform are hosted, maintained, operated and updated independently by the game developers, and we mainly provide players with access to our platform to download the third-party developers' games and limited after-sale basic technical support to the paying players. We have evaluated and determined that we are not the primary obligor in the services rendered to the paying players as a platform. Accordingly, we record our revenue net of the portion of sharing of revenues with the game developers.

As we provide merely the first contact point by the players to gain access to download the third-party developers' games, we believe that our implied obligation to the game developers does not correspond to the game developers' implied obligation to provide the service which enables the virtual goods to be displayed and used in the games. Given that games are hosted, managed, administered and operated by the game developers, we do not have access to the data on the consumption details and the types of virtual goods purchased by the paying players. We only maintain individual paying player's purchase history of the Virtual Currencies which are used to exchange for virtual goods in the third-party operated games. As such, we have adopted a policy to recognise revenue when the paying players exchange the Virtual Currencies for consumable or durable virtual goods for the relevant games.

Mobile games

We distribute mobile games and provide services mainly for Android and iOS operating systems through third-party distribution and payment channels, including mobile operators in the PRC (the "**Mobile Operators**").

Self-developed games — single player games

During the Track Record Period, substantially all of our mobile games are single player games or have single player modes ("**Single Player Games**"). From the paying players' perspective, virtual goods for Single Player Games are priced in Renminbi. When paying players use Renminbi to purchase virtual goods, we account for the transaction as a purchase of Virtual Currencies and perform an automatic internal conversion from Virtual Currencies to virtual goods. Virtual goods for the Single Player Games are purchased when the players are online and can be consumed irrespective of whether or not they are connected to the internet. Only the purchase of such

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virtual goods requires connection to the internet. Once the players confirm their purchase requests via the Mobile Operators' payment channels, we will receive electronic purchase and delivery confirmations from the corresponding payment channels and the purchased virtual goods are automatically available in the downloaded game. Future play and use of the purchased virtual goods do not require internet connectivity or any involvement from our Company. Players do not need to connect to online servers to play the game or utilise the purchased virtual goods on their mobile devices and hence we have no obligation to deliver any further services to the paying players. For Single Player Games, because the exchange from Virtual Currencies to virtual goods takes place immediately after the sale of Virtual Currencies, and because we are not obligated to provide any additional services to the players after the purchase of virtual goods, the proceeds received are immediately released from deferred revenue and recognised as revenue upon the sale of Virtual Currencies and delivery of virtual goods. Based on the above, the Directors and our Reporting Accountant are of the view that the accounting policies adopted for the Single Player Games are in accordance with IAS 18 *Revenue*.

The gross revenue from mobile games includes provision for doubtful debts or bad debts as assessed by the Mobile Operators. For mobile games, our computer system captures limited data such as certain purchase and delivery records of the virtual goods. We contract with the Mobile Operators which include billing and collection services. The Mobile Operators provide us with monthly statements that represent the principal evidence that the virtual goods have been sold and delivered. The Mobile Operators remit to us only amounts net of channel commission charges and an allowance that Mobile Operators have made for the doubtful debts in respect of the amounts due to us from the paying players. The Mobile Operators do not provide an itemized analysis of their remittances and the usage of the virtual goods and we are therefore unable to determine what allowance, if any, for doubtful or bad debts should be recorded with respect to services delivered through them. As a result, based on the amounts reported on the Mobile Operators' monthly statements, which are net of doubtful debts and represent the amounts we reasonably believe will be collected, we record the gross proceeds (net of provision for doubtful debts) as revenue and the channel commission charges are recorded as cost of revenue.

As described above, our computer system captures purchase and delivery records of the virtual goods sold. We also have access to the preliminary daily sales records of the major Mobile Operators, which are generally consistent with our own records. Based on our records, we estimate the amount of collectable net proceeds from the Mobile Operators. The actual amounts confirmed by the Mobile Operators, mainly China Mobile, are net of channel commission charges and an allowance for doubtful debts. Therefore, we have relied on the amounts reported on their monthly statements, which represent the amounts we reasonably believe will be collected, to record our revenue and cost of revenue.

Self-developed games with connected internet game play

For revenue derived from self-developed mobile games with connected internet game play, we follow the policies of self-developed and licensed PC games as the operations of the two types of games are similar. The Virtual Currencies can be used to exchange for virtual goods such as symbols and membership plans. Paying players usually exchange their Virtual Currencies for the virtual goods shortly after purchase.

Third-party distribution channels and payment channels collect the payments from the paying players and remit the cash to our Group, net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between our Group and the third-party distribution or payment channels. For paying players who use payment channels of the Mobile Operators, cash remitted to our Group are also net of provision for doubtful debts or bad debts as assessed by the Mobile Operators as detailed in single player mobile games above.

Upon the sales of Virtual Currencies, we typically have an implied obligation to provide the services which enable the virtual goods exchanged with the Virtual Currencies to be displayed or used in the games. As a result, the proceeds (net of provision for doubtful debts assessed by Mobile Operators, if applicable) received from sales of Virtual Currencies are recorded as deferred revenue. The attributable portion of the deferred revenue relating

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to values of the virtual goods are recognised as revenue (as a release from deferred revenue) when the goods are consumed and the related services are rendered, i.e. ratably over the predetermined service period of the respective virtual goods.

For revenues relating to self-developed mobile games, we have evaluated the roles and responsibilities of our Group, and the third-party distribution and payment channels in the delivery of game experience to the paying players and concluded we take the primary responsibilities in rendering services. We are determined to be the primary obligor and, accordingly, we record revenue on a gross basis, and commission charges by third-party distribution and payment channels are recorded as cost of revenue.

Third-party operated games

For revenue derived from third-party operated mobile games, we follow the policies of third-party operated PC games as the operations of the two types of games are similar. The games distributed on our Group's and third-party distributors' platform are hosted, maintained, operated and updated independently by the game developers, and we mainly provide players with access to the our platform to download the third-party developers' games and limited after-sale basic technical support to the paying players. We have evaluated and determined that we are not the primary obligor in the services rendered to the paying players as a platform. Accordingly, we have adopted a policy to recognise revenue when the paying players purchase the virtual currencies for consumable or durable virtual goods for the relevant games and records our revenue net of the portion of sharing of revenues with the game developers.

Share-based Compensations

In 2012, Mr Zhang and Mr Li Jianhua transferred part of their interests in Lianzhong indirectly to certain employees of Lianzhong in return for their continuous services to our Group. We also operate an equity-settled share-based compensation plan, the Management Pre-IPO Share Option Scheme, under which we receive services from employees as consideration for equity instruments (options) of our Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as expense.

In terms of share options shares awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments granted including any market performance conditions; excluding the impact of any service and non-market performance vesting conditions; and including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, we revise our estimates of the number of options and shares that are expected to vest based on the non-marketing performance and service conditions. We recognise the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either our Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the

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cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph. When the options are exercised, we issue new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

The grant by our Company of options over our equity instruments to the employees of subsidiary undertakings in our Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity (share option reserve) in the separate financial statements of our Company.

Current and Deferred Income Tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year/period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where we are able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realized, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if, we (a) have the legally enforceable right to set off the recognised amounts; and (b) intend either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

We present deferred tax assets and deferred tax liabilities in net if, and only if, (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either (i) the same taxable entity; or (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets forth our consolidated statements of comprehensive income with line items in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Revenue	153,948	100.0	205,810	100.0	236,300	100.0	46,202	100.0	92,989	100.0
Cost of revenue	(46,546)	(30.2)	(55,283)	(26.9)	(79,803)	(33.8)	(14,486)	(31.4)	(31,104)	(33.4)
Gross Profit	107,402	69.8	150,527	73.1	156,497	66.2	31,716	68.6	61,885	66.6
Other income	5,703	3.7	3,144	1.5	4,649	2.0	112	0.2	471	0.5
Selling and marketing expenses	(29,109)	(18.9)	(45,971)	(22.3)	(45,476)	(19.2)	(11,268)	(24.4)	(10,924)	(11.7)
Administrative expenses ⁽¹⁾ ...	(25,458)	(16.5)	(29,895)	(14.5)	(34,714)	(14.7)	(8,074)	(17.5)	(15,632)	(16.8)
Share-based compensation expense	—	—	(1,049)	(0.5)	(490)	(0.2)	(440)	(1.0)	(3,056)	(3.3)
Research and development expenses	(27,365)	(17.8)	(39,591)	(19.2)	(35,699)	(15.1)	(9,866)	(21.4)	(7,833)	(8.4)
Finance costs	(128)	(0.1)	(2)	(0.0)	—	—	—	—	—	—
Profit before income tax ...	31,045	20.2	37,163	18.1	44,767	18.9	2,180	4.7	24,911	26.8
Income tax expense	(4,499)	(2.9)	(6,198)	(3.0)	(4,306)	(1.8)	(398)	(0.9)	(3,357)	(3.6)
Profit for the year/period ...	<u>26,546</u>	<u>17.2</u>	<u>30,965</u>	<u>15.0</u>	<u>40,461</u>	<u>17.1</u>	<u>1,782</u>	<u>3.9</u>	<u>21,554</u>	<u>23.2</u>
Profit for the year/period attributable to:										
Equity holders of the										
Company	20,988	13.6	29,291	14.2	35,052	14.8	1,613	3.5	21,552	23.2
Non-controlling interests	5,558	3.6	1,674	0.8	5,409	2.3	169	0.4	2	0.0
	<u>26,546</u>	<u>17.2</u>	<u>30,965</u>	<u>15.0</u>	<u>40,461</u>	<u>17.1</u>	<u>1,782</u>	<u>3.9</u>	<u>21,554</u>	<u>23.2</u>
Non-IFRS Measure:										
Adjusted net profit attributable to equity holders of the										
Company (unaudited) ⁽²⁾ ...	<u>20,988</u>	<u>13.6</u>	<u>30,204</u>	<u>14.7</u>	<u>37,261</u>	<u>15.8</u>	<u>1,996</u>	<u>4.3</u>	<u>30,178</u>	<u>32.5</u>

Notes:

- (1) Included nil, nil, RMB1,783 thousand and RMB5,570 thousand in IPO listing fees in connection with this Global Offering for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively.
- (2) We define adjusted net profit attributable to equity holders of the Company as net income attributable to equity holders of the Company excluding their share of (i) share-based compensation expense; and (ii) IPO listing fees. The use of adjusted net profit attributable to equity holders of the Company has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. Please refer to the section headed “Financial Information — Non-IFRS Measure”.

DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

Substantially all of our games are free to play as players receive a limited amount of our virtual game points for basic game play. We derive substantially all of revenue from the sales of virtual goods which allow players to enhance their playing experience and receive prioritized customer service. Players also receive complementary virtual game points when they purchase certain virtual goods.

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Revenue by game operation models

By their operation models, our online games can be divided into self-developed games, licensed games and third-party operated games.

Self-developed games include PC and mobile games that were developed in-house and distributed through various channels including our PC client portal Ourgame Hall, our websites lianzhong.com and ourgame.com, approximately 30 PC distribution channels and a number of mobile distribution channels. Our revenue derived from self-developed games is recorded on a gross basis.

Licensed games are games for which we obtained exclusive licenses in the PRC to operate on our online game platform. Our revenue derived from licensed games is recorded on a gross basis and license fees are recorded as cost of revenue.

Third-party operated games are games we promote and distribute on our online game platform. The third-party developers of these games do not license intellectual property rights to us, and they operate these games on their own servers. Our revenue derived from third-party operated games consists of only our share of the gross bookings.

The following table sets forth our revenue breakdown by game operation models in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Self-developed games . . .	90,802	59.0	144,589	70.3	189,405	80.2	35,264	76.3	78,729	84.7
Licensed games	20,287	13.2	20,846	10.1	22,316	9.4	5,071	11.0	6,525	7.0
Third-party operated games	40,774	26.5	33,241	16.2	14,576	6.2	4,703	10.2	6,784	7.3
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0

Revenue by game forms and game categories

We offer online games in two forms, PC games and mobile games. In addition to our PC games and mobile games, we generate a small percentage of our total revenue from other sources primarily comprising sponsorship income, third-party advertising income and other miscellaneous income.

Our PC games accounted for a large majority of our total revenue during the Track Record Period. Our PC revenue can be further broken down by game category. We offer over 200 PC games on our online game platform. For some game categories, we offer multiple versions including different regional variations. For example, we offer over 25 versions of Mahjong in Ourgame Hall, as well as a web version that is available through our own and third-party distribution channels. Our top three game categories in terms of revenue generation during the Track Record Period are Texas Hold'em, Mahjong and Fight the Landlord.

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The following table sets forth our revenue breakdown by game forms and PC game categories in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages) (unaudited)									
PC games										
Self-developed games										
— Texas Hold'em . . .	39,796	25.9	60,138	29.2	70,685	29.9	13,029	28.2	28,201	30.3
— Mahjong	32,454	21.1	62,780	30.5	62,604	26.5	13,564	29.4	22,436	24.1
— Fight the Landlord	10,235	6.6	13,194	6.4	26,932	11.4	6,031	13.1	9,398	10.1
— Other self- developed games	8,317	5.4	8,477	4.1	18,124	7.7	2,640	5.7	6,456	6.9
Self-developed games total	90,802	59.0	144,589	70.3	178,345	75.5	35,264	76.3	66,491	71.5
Licensed games	16,458	10.7	14,275	6.9	17,748	7.5	4,130	8.9	6,195	6.7
Third-party operated games	40,774	26.5	33,241	16.2	14,576	6.2	4,703	10.2	2,038	2.2
PC games total	148,034	96.2	192,105	93.3	210,669	89.2	44,097	95.4	74,724	80.4
Mobile games	3,829	2.5	6,571	3.2	15,628	6.6	941	2.0	17,314	18.6
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0
Total Revenue⁽¹⁾	153,948	100.0	205,810	100.0	236,300	100.0	46,202	100.0	92,989	100.0

Note:

(1) Total Revenue includes sponsorship income, third-party advertising income and other miscellaneous income.

Revenue by distribution channels

Our PC games are distributed through both our proprietary channels and third-party channels, and our mobile games are distributed through third party channels only.

In 2011 and 2012, we derived substantially all of our PC revenue from our proprietary channels. In late 2012 we started to distribute our PC web games through China Mobile, which is also a payment channel provider for our players. Primarily due to the significant revenue generated by games distributed through China Mobile, the percentage of our PC revenue derived from third-party distribution channels increased from 3.6% in 2012 to 24.4% in 2013 and further to 25.5% in the first three months of 2014.

During the Track Record Period, we derived all of our mobile revenue from third-party distribution channels, and we expect to continue to derive all of our mobile revenue from third-party distribution channels in the remaining nine months of 2014.

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The following table sets forth our revenue breakdown by game distribution channels in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Proprietary channels	146,803	95.4	185,228	90.0	159,215	67.4	40,085	86.8	55,644	59.8
Third-party channels:										
Mobile carriers	3,829	2.5	8,539	4.1	66,064	28.0	4,473	9.7	26,917	28.9
Others	1,231	0.8	4,909	2.4	1,018	0.4	480	1.0	9,477	10.2
Third-party channels total	5,060	3.3	13,448	6.5	67,082	28.4	4,953	10.7	36,394	39.1
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0

Revenue by payment channels

We utilise various types of payment channels to collect proceeds from sales of virtual currencies to players. Players can make payments either by purchasing our own pre-paid game cards or by using many third-party payment channels, including major Chinese banks' online banking services, major mobile carriers and other payment channels. See the section headed "Business — Game Monetization — Our Payment Channels".

The following table sets forth our revenue breakdown by payment channels in absolute amounts and as percentages of our total revenue for the periods indicated:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Online banking	27,877	18.1	41,674	20.2	92,189	39.0	13,064	28.3	42,654	45.9
Pre-paid game cards	92,837	60.3	117,129	56.9	49,273	20.9	23,944	51.8	10,693	11.5
Mobile carriers	5,113	3.3	9,392	4.6	67,014	28.4	4,606	10.0	23,094	24.8
Other payment channels . . .	26,036	16.9	30,481	14.8	17,821	7.5	3,424	7.4	15,597	16.8
Total from online games	151,863	98.6	198,676	96.5	226,297	95.8	45,038	97.5	92,038	99.0

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Cost of Revenue

Our cost of revenue consists primarily of (i) commission fees charged by mobile carriers and other third-party distribution and payment channels, (ii) server custody fees, (iii) third-party developers' share of revenue with respect to our licensed games, (iv) depreciation and amortisation, (v) sales tax and (vi) other expenses. The following table sets forth, for the periods indicated, a breakdown of the components of our cost of revenue in absolute amounts and as percentages of our revenue:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Channel commission fees	9,958	6.5	14,673	7.1	30,625	13.0	4,100	8.9	15,399	16.6
Server custody fees	8,077	5.2	9,654	4.7	9,034	3.8	2,433	5.3	2,186	2.4
Revenue sharing for licensed games	4,655	3.0	4,051	2.0	4,237	1.8	1,020	2.2	1,706	1.8
Depreciation and amortisation	7,432	4.8	8,263	4.0	12,764	5.4	2,595	5.6	3,864	4.2
Sales tax	7,998	5.2	10,738	5.2	10,544	4.5	2,360	5.1	4,038	4.3
Others	8,426	5.5	7,904	3.8	12,599	5.3	1,978	4.3	3,911	4.2
Total	46,546	30.2	55,283	26.9	79,803	33.8	14,486	31.4	31,104	33.4

Commission fees charged by third-party payment and distribution channels represented the largest component of our cost of revenue during the Track Record Period. China Mobile provides both distribution channels and payment channels for our web games and mobile games, and accounted for a significant proportion of such commission fees during the Track Record Period. Commission fees charged by China Mobile were RMB1.6 million, RMB3.5 million, RMB22.7 million and RMB7.1 million for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively, representing 1.1%, 1.7%, 9.6% and 7.6% of our revenue for the same periods, respectively. See the sections headed “Business — Game Monetization” and “Business — Game Monetization — Our Payment Channels” in this prospectus.

Server custody fees represented fees charged by data centres for bandwidth, electricity and hosting space. Depreciation and amortisation represented the depreciated and amortised amount throughout the useful life of the property, plant and equipment and intangible assets which directly linked to the generation of the Company's revenue. Revenue sharing for licensed games represented the proportion of revenue we shared with third-party game developers for the games we operated through our online game platform. See the section headed “Business — Our Games” in this prospectus.

Gross Profit

Gross profit represents the excess of revenue over cost of revenue. For the three years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, our gross profits were RMB107.4 million, RMB150.5 million, RMB156.5 million and RMB61.9 million, respectively, representing gross profit margins of 69.8%, 73.1%, 66.2% and 66.6%, respectively.

Other Income

Our other income primarily consists of government subsidies and others such as interest income. For the three years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, our other income was RMB5.7 million, RMB3.1 million, RMB4.6 million and RMB471 thousand, respectively, representing 3.7%, 1.5%, 2.0% and 0.5% of our revenue for those periods, respectively.

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Government subsidies we received during the Track Record Period were primarily granted by local government authorities in Beijing to support our research and development projects. For example, the Administrative Committee of Zhongguancun Haidian Science Park awarded us a subsidy in 2011 in support of our new cross-device online game platform project and a subsidy in 2013 in support of our cloud-based game open platform project. For the three years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, we received government subsidies of RMB1.6 million, RMB2.1 million, RMB3.2 million and RMB44 thousand, respectively.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of employee compensation (including salaries, benefits, bonuses and social insurance payments made on our employees' behalf) and expenses relating to advertising, marketing and brand promotion activities. For the three years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, we incurred selling and marketing expenses of RMB29.1 million, RMB46.0 million, RMB45.5 million and RMB10.9 million, respectively, accounting for 18.9%, 22.3%, 19.2% and 11.7% of our revenue for those periods, respectively.

The following table sets forth, for the periods indicated, a breakdown of the components of our selling and marketing expenses in absolute amounts and as percentages of our revenue:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Employee compensation	20,560	13.4	23,128	11.2	26,463	11.2	7,804	16.9	7,160	7.7
Marketing expenses	3,627	2.4	17,253	8.4	12,947	5.5	2,221	4.8	2,018	2.2
Others	4,922	3.2	5,590	2.7	6,066	2.6	1,243	2.7	1,746	1.9
Total	<u>29,109</u>	<u>18.9</u>	<u>45,971</u>	<u>22.3</u>	<u>45,476</u>	<u>19.2</u>	<u>11,268</u>	<u>24.4</u>	<u>10,924</u>	<u>11.7</u>

Administrative Expenses

Administrative expenses primarily consist of employee compensation and office rental and property expenses. In 2013 and the three months ended 31 March 2014, our administrative expenses included RMB1.8 million and RMB5.6 million, respectively, in IPO listing expenses in connection with this Global Offering. For the three years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, we incurred administrative expenses of RMB25.5 million, RMB29.9 million, RMB34.7 million and RMB15.6 million, respectively, accounting for 16.5%, 14.5%, 14.7% and 16.8% of our revenue for those periods, respectively.

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The following table sets forth, for the periods indicated, a breakdown of the components of our administrative expenses in absolute amounts and as percentages of our revenue:

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Employee compensation	10,162	6.6	12,215	5.9	14,084	6.0	3,954	8.6	4,526	4.9
Rental and property expenses . . .	5,834	3.8	7,473	3.6	9,223	3.9	2,298	5.0	2,374	2.6
IPO listing expenses	—	—	—	—	1,783	0.8	—	—	5,570	6.0
Others	9,462	6.1	10,207	5.0	9,624	4.1	1,822	3.9	3,162	3.4
Total	25,458	16.5	29,895	14.5	34,714	14.7	8,074	17.5	15,632	16.8

Research and Development Expenses

Research and development expenses primarily consist of employee compensation. For the three years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, we incurred research and development expenses of RMB27.4 million, RMB39.6 million, RMB35.7 million and RMB7.8 million, respectively, accounting for 17.8%, 19.2%, 15.1% and 8.4% of our revenue for those periods, respectively.

	For the year ended 31 December						For the three months ended 31 March			
	2011		2012		2013		2013		2014	
	RMB	%	RMB	%	RMB	%	RMB	%	RMB	%
	(in thousands, except percentages)									
	(unaudited)									
Employee compensation	23,599	15.3	34,968	17.0	31,945	13.5	8,785	19.0	7,301	7.9
Others	3,766	2.4	4,623	2.2	3,754	1.6	1,081	2.3	532	0.6
Total	27,365	17.8	39,591	19.2	35,699	15.1	9,866	21.4	7,833	8.4

The following table sets forth, for the periods indicated, a breakdown of our research and development expenses by major game categories:

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2014	
	(in thousands of RMB)				
PC Games					
Texas Hold'em	3,621	2,912	2,744		—
Fight the Landlord	—	2,483	3,472		—
Mahjong	169	3,625	1,744		358
Others	83	2,420	8,036		3,292
PC games total	3,873	11,440	15,997		3,650
Mobile games	—	10,328	5,390		1,121
General game platform	23,492	17,824	14,312		3,062
Total	27,365	39,591	35,699		7,833

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Employee compensation that was directly attributable to development activities (relating to the design and testing of new or improved products) are capitalised and recognised as intangible assets provided they met certain recognition requirements. See Note 2.5(c) to the Accountant's Report in Appendix I to this prospectus. For the three years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, we capitalised research and development costs of RMB6.4 million, RMB9.9 million, RMB12.4 million and RMB3.0 million, respectively.

TAXATION

Cayman Islands

We are an exempt company with limited liability incorporated in the Cayman Islands. Under the Cayman Islands law, we are not subject to income or capital gains tax in the Cayman Islands.

Hong Kong

Our subsidiary Lianzhong Hong Kong has been subject to a profit tax of 16.5% since its incorporation on 18 December 2013. No provision for Hong Kong profits tax was made as we had no estimated assessable profits arising in Hong Kong during the Track Record Period.

PRC

Income tax

Lianzhong has been qualified as a "High and New Technology Enterprise" since no later than 2008 and as such was entitled to a preferential income tax rate of 15% for the years ended 31 December 2011 and 2012. In December 2013, Lianzhong was accredited by the National Development and Reform Commission, the MIIT, the Ministry of Finance, the Ministry of Commerce, and the State Administration of Taxation as a "Key Software Enterprise Within National Planning Layout for the Years 2013-2014". As a result, Lianzhong is entitled to a preferential income tax rate of 10% for the year ended 31 December 2013, retroactively, and the year ending 31 December 2014. Therefore, for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, the applicable income tax rate for Lianzhong was 15%, 15%, 10% and 10%, respectively. Lianzhong's preferential tax treatment will expire by the end of 2014 and we intend to apply for its renewal.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for the year ("**Super Deduction**"). Lianzhong did not claim any Super Deduction for the years ended 31 December 2011 and 2012. We intend to apply for the Super Deduction for the year ended 31 December 2013. Based on Lianzhong's best estimate, such Super Deduction would reduce its income tax by RMB806 thousand for the year ended 31 December 2013.

For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, non-deductible expenses increased our income tax by RMB586 thousand, RMB890 thousand, RMB150 thousand and RMB46 thousand, respectively.

In addition, we recognised RMB840 thousand carryover tax losses previously not recognised as deferred tax assets for the year ended 31 December 2011.

As a result of the above as well as other miscellaneous tax effects, for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, the effective income tax rate for our Group was 14.5%, 16.7%, 9.6% and 13.5%, respectively.

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The WFOE has been subject to a 25% income tax rate since its establishment in 21 January 2014. Under the Contractual Arrangements between Lianzhong and the WFOE, in 2014 and future years Lianzhong will pay the WFOE services fees equal to 100% of the consolidated net profits of Lianzhong, subject to the WFOE's adjustment at its sole discretion. Due to the different income tax rates applicable to Lianzhong and the WFOE, we expect that the effective income tax rate for our Group on a consolidated basis will increase in 2014.

Withholding tax

Pursuant to the EIT Law, a 10% withholding tax is levied on dividends declared to foreign investors from the PRC effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax arrangement between the PRC and the jurisdiction of the foreign investors. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%. As we do not have any plan to distribute the accumulated profits in our PRC subsidiaries, no deferred income tax liability on withholding tax was accrued as of 31 December 2011, 2012 and 2013 and 31 March 2014.

We have paid all applicable taxes due. Our Directors are not aware of any possible challenges or disputes with any tax authorities with respect to the Group's tax positions during the Track Record Period and up to the Latest Practicable Date.

NON-IFRS MEASURE

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted net profit as an additional financial measure. We present this financial measure because it is used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that this non-IFRS measure provides additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

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Adjusted Net Profit

We define adjusted net profit attributable to equity holders of the Company as net income attributable to equity holders of the Company for the year excluding their share of share-based compensation expense and IPO listing fees in connection with this Global Offering. The term of adjusted net profit is not defined under IFRS. The use of adjusted net profit attributable to equity holders of the Company has material limitations as an analytical tool, as it does not include all items that impact our net profit for the relevant year/period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. In light of the foregoing limitations for this non-IFRS measure, when assessing our operating and financial performance, you should not consider adjusted net profit in isolation or as a substitute for our profit for the year/period, operating profit or any other operating performance measure that is calculated in accordance with IFRS. In addition, because this non-IFRS measure may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies. The following table reconciles our adjusted net profit for the periods presented to the most directly comparable financial measure calculated and presented in accordance with IFRS, which is profit for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
	(in thousands of RMB)				
	(unaudited)				
Profit for the year/period attributable to equity holders of the Company	20,988	29,291	35,052	1,613	21,552
Share-based compensation expense attributable to equity holders of the Company	—	913	426	383	3,056
IPO listing fees attributable to equity holders of the Company	—	—	1,783	—	5,570
Adjusted net profit attributable to equity holders of the Company (unaudited)	<u>20,988</u>	<u>30,204</u>	<u>37,261</u>	<u>1,996</u>	<u>30,178</u>

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Three Months Ended 31 March 2014 Compared to Three Months Ended 31 March 2013

Revenue

Our revenue increased by 101.3% from RMB46.2 million in the three months ended 31 March 2013 to RMB93.0 million in the three months ended 31 March 2014 primarily due to significant revenue increases in both self-developed PC and mobile games.

Revenue derived from self-developed PC games increased by 88.6% from RMB35.3 million in the three months ended 31 March 2013 to RMB66.5 million in the three months ended 31 March 2014, primarily due to a 49.6% increase in the MPUs of our self-developed PC games from 206.6 thousand in the three months ended 31 March 2013 to 309.0 thousand in the three months ended 31 March 2014, and a 26.9% increase in the ARPPU of our self-developed PC games from RMB56.6 in the three months ended 31 March 2013 to RMB71.7 in the three months ended 31 March 2014. During the first half of 2013 we focused on implementing our long-term strategy of fully integrating our PC client games and web games instead of pursuing short-term PC revenue growth. After our endeavour to integrate all PC games was completed, both the MPUs and the ARPPU of our self-developed PC games showed significant growth in the second half of 2013 and the first three months of 2014, as we were able to better focus our marketing efforts and offer more platform-wide features that encouraged player spending.

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Revenue derived from mobile games increased from RMB0.9 million in the three months ended 31 March 2013 to RMB17.3 million in the three months ended 31 March 2014. Before the second quarter of 2013, we primarily focused on attracting and retaining a broad base of players for our two major smartphone mobile games, *Tiantian Fight the Landlord* and *Talent Mahjong*, and did not immediately monetize the players of these games. We started to introduce new versions of these games with revenue-generating features in the second quarter of 2013, and the MPUs and the ARPPU of these games have steadily increased since then and amounted to 259.4 thousand and RMB15.7, respectively, in the three months ended 31 March 2014.

Our revenue growth also benefited from the increased convenience of online payment options. Our revenue collected through online banking channels increased from RMB13.1 million in the three months ended 31 March 2013 to RMB42.7 million in the three months ended 31 March 2014, and our revenue collected through mobile carrier channels increased from RMB4.6 million in the three months ended 31 March 2013 to RMB23.1 million in the three months ended 31 March 2014.

Revenue derived from licensed games increased from RMB5.1 million in the three months ended 31 March 2013 to RMB6.5 million in the three months ended 31 March 2014, and revenue from third-party operated games increased from RMB4.7 million in the three months ended 31 March 2013 to RMB6.8 million in the three months ended 31 March 2014. However, the percentages of our total revenue contributed by licensed games and third-party operated games decreased from 11.0% and 10.2%, respectively, in the three months ended 31 March 2013 to 7.0% and 7.3%, respectively, in the three months ended 31 March 2014, as we prioritized our resources and management attention to focus on our self-developed games.

Cost of revenue

Our cost of revenue increased by 114.7% from RMB14.5 million in the three months ended 31 March 2013 to RMB31.1 million in the three months ended 31 March 2014. This increase was primarily due to a significant increase in channel commission costs from RMB4.1 million in the three months ended 31 March 2013 to RMB15.4 million in the three months ended 31 March 2014, which consisted of commission fees charged by mobile carriers and other distribution and payment channels. In particular, commission fees charged by China Mobile for distributing our web and mobile games and for collecting payments from our players increased from RMB1.6 million in the three months ended 31 March 2013 to RMB7.1 million in the three months ended 31 March 2014. The increase in channel costs corresponded to our strong growth in mobile revenue and the increasing use by our PC game players of payment channels provided by mobile carriers. Other major components of our cost of revenue, such as server custody fees, depreciation and amortisation and revenue sharing for licensed games, either remained stable or increased by a smaller percentage than our revenue from the three months ended 31 March 2013 to the three months ended 31 March 2014.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 95.1% from RMB31.7 million in the three months ended 31 March 2013 to RMB61.9 million in the three months ended 31 March 2014. Our gross profit margin decreased slightly from 68.6% in the three months ended 31 March 2013 to 66.6% in the three months ended 31 March 2014, primarily due to the relatively faster growth in revenue derived from our mobile games which had higher channel commission costs than our PC games, and the increasing use by our PC game players of payment channels provided by mobile carriers which generally entailed higher fees than other payment channels.

Selling and marketing expenses

Our selling and marketing expenses remained stable at RMB10.9 million in the three months ended 31 March 2014 as compared to RMB11.3 million in the three months ended 31 March 2013. As a result of our economies of scale and effective cost control, we were able to increase our revenue more efficiently without incurring higher selling and marketing expenses.

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Administrative expenses

Our administrative expenses increased by 93.6% from RMB8.1 million in the three months ended 31 March 2013 to RMB15.6 million in the three months ended 31 March 2014, primarily because we incurred RMB5.6 million in IPO listing fees in the three months ended 31 March 2014 as compared to nil in the three months ended 31 March 2013. The increase in administrative expenses was also contributed by an increase in legal and professional fees from RMB278 thousand in the three months ended 31 March 2013 to RMB1.5 million in the three months ended 31 March 2014 primarily due to increased legal and professional expenses relating to our combined online and offline tournaments and an increase in employee compensation from RMB4.0 million in the three months ended 31 March 2013 to RMB4.5 million in the three months ended 31 March 2014 primarily as we expanded our business operations.

Research and development expenses

Our research and development expenses decreased by 20.6% from RMB9.9 million in the three months ended 31 March 2013 to RMB7.8 million in the three months ended 31 March 2014. As we became more efficient in developing PC and mobile games, helped by our cross-platform game development engine, we were able to continue to significantly increase our revenue with reduced research and development expenses.

Other income

Our other income increased from RMB112 thousand in the three months ended 31 March 2013 to RMB471 thousand in the three months ended 31 March 2014 primarily due to an increase in foreign exchange gain of RMB237 thousand. In both periods, other income represented substantially less than 1% of our revenue during the respective periods.

Profit before income tax

As a result of the significant growth in our revenue coupled with effective control of operating expenses, our profit before income tax increased from RMB2.2 million in the three months ended 31 March 2013 to RMB24.9 million in the three months ended 31 March 2014.

Income tax expense

Our income tax expense increased from RMB398 thousand in the three months ended 31 March 2013 to RMB3.4 million in the three months ended 31 March 2014. The effective income tax rate decreased from 18.3% for the three months ended 31 March 2013 to 13.5% for the three months ended 31 March 2014. The decrease in effective tax rate was primarily because the 10% preferential income tax rate as a result of our accreditation as a “Key Software Enterprise Within National Planning Layout for the Years 2013-2014” applied to the three months ended 31 March 2014 but not the three months ended 31 March 2013, as we submitted the application during the third quarter of 2013 and did not receive the accreditation until December 2013. The decrease in effective tax rate was partially offset by a smaller percentage of deductible expenses in the three months ended 31 March 2014, because in the three months ended 31 March 2014 we incurred significant expenses in connection with this Global Offering, which were not deductible for income tax purposes.

Profit for the period

As a result of the foregoing, our profit for the period increased from RMB1.8 million in the three months ended 31 March 2013 to RMB21.6 million in the three months ended 31 March 2014.

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Adjusted net profit attributable to equity holders of the Company

Our adjusted net profit attributable to equity holders of the Company increased from RMB2.0 million in the three months ended 31 March 2013 to RMB30.2 million in the three months ended 31 March 2014. See the section headed “— Non-IFRS Measure” above.

Year Ended 31 December 2013 Compared to Year Ended 31 December 2012

Revenue

Our revenue increased by 14.8% from RMB205.8 million in 2012 to RMB236.3 million in 2013 primarily as a result of the continued growth of our player base especially the player base of our self-developed PC and mobile games.

Revenue derived from our self-developed PC games increased by 23.3% from RMB144.6 million in 2012 to RMB178.3 million in 2013, primarily due to an increase in the MPUs of our self-developed PC games, partially offset by a slight decrease in the ARPPU of our self-developed PC games. The increase in the MPUs was primarily driven by the success of several new games and new versions of existing games that we launched in 2013. Our revenue increase in 2013 was slower than that in the previous year, primarily because during the first half of 2013 we focused on implementing our long-term strategy of fully integrating our PC client games and web games instead of pursuing short-term PC revenue growth, which had a negative impact on the average player spending. As a result, although the average MPUs for our self-developed PC games increased by 33.2% from 192.5 thousand in 2012 to 256.5 thousand in 2013, the ARPPU for our self-developed PC games decreased slightly from RMB62.4 in 2012 to RMB57.9 in 2013. After our endeavour to integrate all PC games was completed, however, the ARPPU for our self-developed PC games showed a year-to-year increase in the fourth quarter of 2013 of RMB71.3, as compared to RMB68.8 in the same quarter of 2012.

Revenue derived from mobile games increased by 137.8% from RMB6.6 million in 2012 to RMB15.6 million in 2013. In 2011, we started to develop mobile games for smart mobile devices such as those running Android and iOS operating systems. In 2013, we started to monetize players of these new mobile games. Our strong mobile revenue growth in 2013 was primarily driven by the success of two mobile games for smart mobile devices, *Tiantian Fight the Landlord* which was launched in 2011 and *Talent Mahjong* which was launched in 2012. In 2012, we primarily focused on attracting and retaining a broad base of players for these new mobile games. By 2013, as we had built up a solid mobile player base, we started to implement measures to generate revenue from these games. The combined average MPUs and ARPPU for these two games were 105.7 thousand and RMB12.6, respectively, in 2013.

Revenue derived from licensed PC games also increased by 24.3% from RMB14.3 million in 2012 to RMB17.7 million in 2013, as we launched two new licensed PC games in 2013.

The increase in our total revenue was partially offset by a 56.2% decrease in revenue derived from third-party operated games from RMB33.2 million in 2012 to RMB14.6 million in 2013, as we prioritized our resources and management attention to focus on our self-developed games.

Cost of revenue

Our cost of revenue increased by 44.4% from RMB55.3 million in 2012 to RMB79.8 million in 2013, and as a percentage of revenue increased from 26.9% in 2012 to 33.8% in 2013. This increase was primarily due to a 108.7% increase in channel commission costs from RMB14.7 million in 2012 to RMB30.6 million in 2013, which consisted of commission fees charged by mobile carriers and other distribution and payment channels. In particular, commission fees charged by China Mobile for distributing our web and mobile games and for collecting payments from our players increased from RMB3.5 million in 2012 to RMB22.7 million in 2013. The

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increase in channel costs corresponded to our strong growth in mobile revenue and the increasing use by our PC game players of payment channels provided by mobile carriers. The increase in our cost of revenue was also contributed by a 163.2% increase in amortisation of intangible assets from RMB3.5 million in 2012 to RMB9.3 million in 2013, as we acquired substantially more game intellectual property rights and licenses and we self-developed more intangible assets in 2013 than in 2012.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 4.0% from RMB150.5 million in 2012 to RMB156.5 million in 2013. Our gross profit margin decreased from 73.1% in 2012 to 66.2% in 2013, primarily due to the relatively faster growth in revenue derived from our mobile games which had higher channel commission costs than our PC games, and the increasing use by our PC game players of payment channels provided by mobile carriers which generally entailed higher fees than other payment channels.

Selling and marketing expenses

Our selling and marketing expenses remained largely unchanged at RMB45.5 million in 2013 as compared to RMB46.0 million in 2012, as the result of a 14.4% increase in employee compensation from RMB23.1 million in 2012 to RMB26.5 million in 2013, offset by a 25.0% decrease in marketing expenses from RMB17.3 million in 2012 to RMB12.9 million in 2013. The increase in employee compensation was primarily because we increased the head count of our selling and marketing staff in 2013. The decrease in marketing expenses was primarily because in 2013 we contracted some of our offline marketing activities to a third party, and as such we did not recognize revenue and marketing expenses associated with these activities.

Administrative expenses

Our administrative expenses increased by 16.1% from RMB29.9 million in 2012 to RMB34.7 million in 2013, but as a percentage of revenue remained largely unchanged, slightly increasing from 14.5% to 14.7%. Rental and property expenses increased by 23.4% from RMB7.5 million in 2012 to RMB9.2 million in 2013 primarily because we expanded our office space. Employee compensation increased by 15.3% from RMB12.2 million in 2012 to RMB14.1 million in 2013, primarily due to an increase in employee severance costs. We also incurred RMB1.8 million in IPO listing fees in 2013 in connection with this Global Offering as compared to nil in 2012. These increases in administrative expenses were partially offset by a decrease in impairment loss and loss on disposal of property, plant and equipment from RMB2.0 million in 2012 to nil in 2013.

Research and development expenses

Our research and development expenses decreased by 9.8% from RMB39.6 million in 2012 to RMB35.7 million in 2013. As we became more efficient in developing PC and mobile games, helped by our cross-platform game development engine, we were able to continue to launch popular new games in 2013 with reduced research and development resources. The decrease in research and development expenses was also partly due to an increase in capitalised employee compensation of RMB2.5 million from RMB9.9 million in 2012 to RMB12.4 million in 2013.

Other income

Our other income increased by 47.9% from RMB3.1 million in 2012 to RMB4.6 million in 2013. The increase was primarily due to a 49.3% increase in government subsidies from RMB2.1 million in 2012 to RMB3.2 million in 2013.

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Profit before income tax

As a result of the foregoing, our profit before income tax increased by 20.5% from RMB37.2 million in 2012 to RMB44.8 million in 2013.

Income tax expense

Our income tax expense decreased by 30.5% from RMB6.2 million in 2012 to RMB4.3 million in 2013 despite the growth in our profit before income tax, primarily because our preferential income tax rate decreased from 15% in 2012 to 10% in 2013 as we received the Key Software Enterprise Within National Planning Layout accreditation.

Profit for the year

As a result of the foregoing, our profit for the year increased by 30.7% from RMB31.0 million in 2012 to RMB40.5 million in 2013.

Adjusted net profit attributable to equity holders of the Company

Our adjusted net profit attributable to equity holders of the Company increased by 23.4% from RMB30.2 million in 2012 to RMB37.3 million in 2013. See the section headed “— Non-IFRS Measure” above.

Year Ended 31 December 2012 Compared to Year Ended 31 December 2011

Revenue

Our revenue increased by 33.7% from RMB153.9 million in 2011 to RMB205.8 million in 2012, primarily due to a 59.2% increase in revenue derived from our self-developed PC games from RMB90.8 million in 2011 to RMB144.6 million in 2012. Our PC revenue growth in 2012 was primarily driven by a 38.7% increase in the ARPPU for our self-developed PC games from RMB45.0 in 2011 to RMB62.4 in 2012 and, to a lesser extent, a 15.8% increase in the average MPUs for our self-developed PC games from 166.2 thousand in 2011 to 192.5 thousand in 2012. The increase in the ARPPU was primarily due a significant increase in the ARPPU of our Mahjong games as we added new features in these games in 2013. Our revenue growth also reflected a 71.6% increase in revenue derived from our mobile games from RMB3.8 million in 2011 to RMB6.6 million in 2012. Furthermore, our revenue derived from sponsorships and advertising increased by 441.9% from RMB1.3 million in 2011 to RMB7.1 million in 2012, as we significantly expanded the scale of our combined online and offline tournaments. The increase in revenue was partially offset by a 18.5% decrease in revenue derived from third-party operated games from RMB40.8 million in 2011 to RMB33.2 million in 2012 and a 13.3% decrease in revenue derived from licensed PC games from RMB16.5 million in 2011 to RMB14.3 million in 2012, as we prioritized our resources and management attention to focus on our self-developed games.

Cost of revenue

Our cost of revenue increased by 18.8% from RMB46.5 million in 2011 to RMB55.3 million in 2012. The increase in cost of revenue was primarily due to the increase in a 47.3% increase in channel commission fees from RMB10.0 million in 2011 to RMB14.7 million in 2012. In late 2012 we started to distribute our web and mobile games and collect payments from players through China Mobile, which charged higher channel commission fees than most of our other distribution and payment channel providers. However, our cost of revenue as a percentage of our revenue decreased from 30.2% in 2011 to 26.9% in 2012 primarily due to our effective control of fixed costs. Notwithstanding the rapid revenue growth in 2012, our renewed internet data centre rental contract price and depreciation expenses remained stable in 2012 as compared to 2011. In addition, cost of revenue relating to revenue sharing for licensed games decreased as a percentage of our total revenue from 3.0% in 2011 to 2.0% in 2012 as we prioritized promotion of our self-developed games.

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Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 40.2% from RMB107.4 million in 2011 to RMB150.5 million in 2012. Our gross profit margin increased from 69.8% in 2011 to 73.1% in 2012.

Selling and marketing expenses

Our selling and marketing expenses increased by 57.9% from RMB29.1 million in 2011 to RMB46.0 million in 2012. Most of this increase was accounted for by a 375.7% increase in marketing expenses from RMB3.6 million in 2011 to RMB17.3 million in 2012, primarily because we substantially expanded the scale of combined online and offline events in 2012. For example, in December 2012, we organised the first combined online and offline Texas Hold'em tournament in China sanctioned by the World Poker Tour. These combined online and offline events were primarily a marketing and promotional tool for our online card and board games, and costs associated with organising these events were recorded as marketing expenses. Employee compensation increased by 12.5% from RMB20.6 million in 2011 to RMB23.1 million in 2012, as we expanded our sales and marketing staff to promote our new games and organise more combined online and offline events, but as a percentage of revenue decreased from 13.4% in 2011 to 11.2% in 2012 due to economies of scale.

Administrative expenses

Our administrative expenses increased by 17.4% from RMB25.5 million in 2011 to RMB29.9 million in 2012, but as a percentage of revenue decreased from 16.5% to 14.5%. Rental and property expenses increased by 28.1% from RMB5.8 million in 2011 to RMB7.5 million in 2012 as we expanded our office space. Employee compensation increased by 20.2% from RMB10.2 million in 2011 to RMB12.2 million in 2012 due to the increase in our administrative head count, but as a percentage of our revenue decreased from 6.6% in 2011 to 5.9% in 2012 due to economies of scale.

Research and development expenses

Our research and development expenses increased by 44.7% from RMB27.4 million in 2011 to RMB39.6 million in 2012, primarily due to a 48.2% increase in employee compensation from RMB23.6 million in 2011 to RMB35.0 million in 2012, as we expanded our research and development team to launch multiple new PC and mobile games.

Other income

Our other income decreased by 44.9% from RMB5.7 million in 2011 to RMB3.1 million in 2012, primarily because we received RMB2.0 million in compensation income from a third-party game developer in 2011 as compared to nil in 2012.

The decrease in other income was partially offset by a 37.1% increase in government subsidies from RMB1.6 million in 2011 to RMB2.1 million in 2012.

Profit before income tax

As a result of the foregoing, our profit before income tax increased by 19.7% from RMB31.0 million in 2011 to RMB37.2 million in 2012.

Income tax expense

Our income tax expense increased by 37.8% from RMB4.5 million in 2011 to RMB6.2 million in 2012. The increase was larger than the increase in our profit before income tax because we recognised RMB840 thousand carryover tax losses previously not recognised as deferred tax assets in 2011 as opposed to nil in 2012.

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Profit for the year

As a result of the foregoing, our profit for the year increased by 16.6% from RMB26.5 million in 2011 to RMB31.0 million in 2012.

Adjusted net profit attributable to equity holders of the Company

Our adjusted net profit attributable to equity holders of the Company increased by 43.9% from RMB21.0 million in 2011 to RMB30.2 million in 2012. See the section headed “— Non-IFRS Measure” above.

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

We have historically met our working capital and other capital requirements principally from cash flows from our operating activities. Going forward, we believe that our liquidity requirements will be satisfied by using a combination of cash flows from our operating activities, other funds raised from the capital markets from time to time and the proceeds from this Global Offering.

The following table sets forth our cash flows for the periods indicated:

	<u>For the year ended 31 December</u>			<u>For the three months ended 31 March</u>	
	2011	2012	2013	2013	2014
	(in thousands of RMB)				
	(unaudited)				
Net cash from/(used in) operating activities	28,778	40,908	30,384	(10,477)	20,885
Net cash (used in)/from investing activities	(21,715)	(18,523)	(67,255)	(11,176)	17,748
Net cash (used in)/from financing activities	(23,016)	41,521	—	—	(2,280)
Net (decrease)/increase in cash and cash equivalents	(15,953)	63,906	(36,871)	(21,653)	36,353
Cash and cash equivalents at beginning of the year/period	47,634	31,681	95,587	95,587	58,716
Cash and cash equivalents at the end of the year/period	31,681	95,587	58,716	73,934	95,069

Net cash from operating activities

Our primary source of cash from operating activities consists of proceeds we receive from the sales of our virtual goods and paid membership subscriptions. Our primary uses of cash in operating activities are employee compensation, distribution and payment channel costs, server custody fees, marketing expenses, sales tax and income tax payments and rental and property expenses.

In the three months ended 31 March 2014, net cash from operating activities was RMB20.9 million, which primarily reflected our profit before income tax of RMB24.9 million, adjusted for non-cash items of RMB7.4 million and changes in operating assets and liabilities of RMB9.8 million. Non-cash reconciling items primarily included RMB3.1 million in share-based compensation primarily as a result of the new share options issued on 20 February 2014 under the Management Pre-IPO Share Option Scheme, RMB2.9 million in amortisation of intangible assets primarily relating to game intellectual properties, trademark and licences and RMB1.5 million in depreciation of property, plant and equipment primarily relating to computer equipment. Changes in operating assets and liabilities primarily included an increase in trade receivables of RMB16.8 million, primarily due to our fast growth in mobile revenue which tend to create higher trade receivables as a percentage of revenue compared

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to PC revenue, partially offset by an increase in other payables of RMB4.0 million, primarily due to increased payables for professional services incurred in connection with this Global Offering.

In 2013, net cash from operating activities was RMB30.4 million, which primarily reflected our profit before income tax of RMB44.8 million, adjusted for non-cash items of RMB14.2 million and changes in operating assets and liabilities of RMB25.0 million. Non-cash reconciling items primarily included RMB9.5 million in amortisation of intangible assets primarily relating to game intellectual properties, trademark and licences and RMB5.3 million in depreciation of property, plant and equipment primarily relating to computer equipment. Changes in operating assets and liabilities primarily included an increase in trade receivables of RMB24.1 million, primarily due to our fast growth in mobile revenue which tend to create higher trade receivables as a percentage of revenue compared to PC revenue, and an increase in other receivables of RMB12.4 million, primarily because we paid deposits of RMB4.0 million for acquisition of intangible assets in 2013 as compared to nil in 2012, and we made advance payments in connection with several combined online and offline tournaments to be held in the following year of RMB6.3 million in 2013 as compared to nil in 2012, partially offset by an increase in deferred revenue of RMB8.7 million as a result of an increase in money received from customers not spent at the end of the year.

In 2012, net cash from operating activities was RMB40.9 million, which primarily reflected our profit before income tax of RMB37.2 million, adjusted for non-cash items of RMB13.0 million and changes in operating assets and liabilities of RMB7.7 million. Non-cash reconciling items primarily included RMB7.0 million in depreciation of property, plant and equipment primarily relating to computer equipment and RMB3.6 million in amortisation of intangible assets primarily relating to game intellectual properties, trademark and licences. Changes in operating assets and liabilities primarily included an increase in trade and other receivables of RMB3.5 million and a decrease in deferred revenue of RMB4.2 million.

In 2011, net cash from operating activities was RMB28.8 million, which primarily reflected our profit before income tax of RMB31.0 million, adjusted for non-cash items of RMB11.2 million and changes in operating assets and liabilities of RMB13.5 million. Non-cash reconciling items primarily included RMB9.0 million in depreciation of property, plant and equipment primarily relating to computer equipment. Changes in operating assets and liabilities primarily included a decrease in trade and other payables of RMB13.0 million as a result of repayment of the payable for profit sharing to a game developer and an increase in trade and other receivables of RMB4.2 million, partially offset by an increase in deferred revenue of RMB4.0 million.

Net cash used in/from investing activities

Our investing activities primarily consist of capital expenditures, mainly for purchase of property and equipment such as computers and other electronic equipment, purchase of intangible assets such as game licenses and internal game development.

In the three months ended 31 March 2014, net cash from investing activities was RMB17.7 million, mainly attributable to the repayment of the loans we extended to shareholders in 2013 of RMB25.0 million, partially offset by purchase of available-for-sale financial assets of RMB4.0 million and investment in internal game development of RMB3.0 million.

In 2013, net cash used in investing activities was RMB67.3 million, mainly attributable to purchase of intangible assets of RMB15.6 million, purchase of property and equipment of RMB7.4 million and internal game development of RMB12.4 million. In addition, we also extended RMB25.0 million in loans to shareholders and purchased RMB7.0 million in available-for-sale financial assets.

In 2012, net cash used in investing activities was RMB18.5 million, mainly attributable to purchase of equipment and intangible assets of RMB8.8 million and internal game development of RMB9.9 million.

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In 2011, net cash used in investing activities was RMB21.7 million, mainly attributable to purchase of equipment and intangible assets of RMB10.4 million and internal game development of RMB6.4 million. In addition, we purchased RMB5.0 million in available-for-sale financial assets.

Net cash used in/from financing activities

In the three months ended 31 March 2014, net cash used in financing activities was RMB2.3 million, which was primarily attributable to payment for our deferred IPO costs incurred in connection with this Global Offering. In addition, we received proceeds of RMB300.0 million from issuance of the Series A Preferred Shares, substantially all of which was offset by payment of special dividends to offshore investment holding companies wholly owned by the Founders.

In 2013, we did not generate or use any cash in financing activities.

In 2012, net cash from financing activities was RMB41.5 million, which primarily consisted of capital injection by equity holders of the Company and a non-controlling equity holder of RMB42.6 million and repayment received from our former holding company of RMB27.9 million, partially offset by dividends of RMB29.0 million declared and paid to the equity holders of Lianzhong.

In 2011, net cash used in financing activities was RMB23.0 million, which primarily consisted of repayment of bank borrowings of RMB20.0 million and repayment to former fellow subsidiaries of RMB2.8 million.

Net Current Assets

The following table sets forth our current assets and current liabilities as of the dates indicated:

	As of 31 December			As of
	2011	2012	2013	31 March 2014
	(in thousands of RMB)			
Current assets				
Inventories	301	636	1,169	985
Trade receivables	5,988	11,674	35,742	52,494
Other receivables	16,226	10,253	22,725	21,725
Loans to shareholders	150	—	25,000	—
Amount due from former holding company	27,883	—	—	—
Available-for-sale financial assets	5,000	—	5,000	9,000
Bank balances and cash	31,681	95,587	58,716	95,069
Total current assets	<u>87,229</u>	<u>118,150</u>	<u>148,352</u>	<u>179,273</u>
Current liabilities				
Trade payables	12,715	12,013	12,498	13,906
Other payables	11,434	12,502	15,331	19,315
Deferred revenue	24,953	20,720	29,467	28,179
Income tax liabilities	214	2,374	1,484	3,069
Total current liabilities	<u>49,316</u>	<u>47,609</u>	<u>58,780</u>	<u>64,469</u>
Net current assets	<u><u>37,913</u></u>	<u><u>70,541</u></u>	<u><u>89,572</u></u>	<u><u>114,804</u></u>

As of 31 March 2014, we had net current assets of RMB114.8 million, representing a 28.2% increase from our net current assets of RMB89.6 million as of 31 December 2013. This increase was mainly attributable to an increase in bank balances and cash of RMB36.4 million primarily as a result of the repayment of the loans we

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extended to shareholders in 2013 and increased profit from our operation, and an increase in trade receivables of RMB16.8 million primarily as a result of our rapid growth in mobile revenue, partially offset by a decrease in loans to shareholders of RMB25.0 million which was repaid, and an increase in other payables of RMB4.0 million primarily due to increased payables for professional services incurred in connection with this Global Offering.

As of 31 December 2013, we had net current assets of RMB89.6 million, representing a 27.0% increase from our net current assets of RMB70.5 million as of 31 December 2012. This increase was mainly attributable to an increase in trade receivables of RMB24.1 million primarily as a result of our rapid growth in mobile revenue, an increase in other receivables of RMB12.5 million and an increase in loans to two shareholders of RMB25.0 million, partially offset by a decrease in bank balances and cash of RMB36.9 million primarily due to significant net cash used in investing activities.

As of 31 December 2012, we had net current assets of RMB70.5 million, representing a 86.1% increase from our net current assets of RMB37.9 million as of 31 December 2011. This increase was mainly attributable to an increase in bank balances and cash of RMB63.9 million, partially offset by a decrease in amount due from our former holding company of RMB27.9 million.

During the Track Record Period, we have met our working capital and other capital requirements mainly from cash flows from our operating activities. We manage our cash flow and working capital by closely monitoring and managing, among other things, (i) the levels of our bank balances and cash at hand, (ii) the level of our trade and other receivables as well as our trade and other payables, and (iii) our capital expenditure plans. We also diligently review future cash flow requirements and adjust our investment, financing and dividend payout plans, if necessary, to ensure that we maintain sufficient working capital to support our business operations. We currently do not have any external financing plans except for the Global Offering.

Capital Expenditure

Our capital expenditure comprised purchase of property, plant and equipment primarily computer equipment, purchase of intangible assets primarily game licenses and other intellectual properties and capitalised internal game development costs. The following table sets forth our capital expenditures for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
	(in thousands of RMB)				
	(unaudited)				
Purchase of property, plant and equipment	6,931	3,727	7,405	2,588	238
Purchase of intangible assets	3,448	7,531	15,618	5,650	—
Internal game development costs	6,388	9,923	12,383	2,949	3,014
Total	16,767	21,181	35,406	11,187	3,252

For the year ending 31 December 2014, our capital expenditure is expected to include the purchase of property, plant and equipment primarily computer equipment, purchase of intangible assets primarily game licenses, and capitalised internal game development costs. As of the Latest Practicable Date, we had committed capital expenditures of approximately RMB4.3 million for the purchase of game products and technology infrastructure. We plan to fund our planned capital expenditure by using our cash flow generated from our operations and the net proceeds received from this Global Offering.

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Capital Commitments

As of 31 December 2011, 2012 and 2013 and 31 March 2014, we had capital commitments of RMB2.5 million, RMB3.3 million, RMB1.0 million and RMB1.0 million, respectively, which primarily consisted of contracted but not provided for expenditure in respect of acquisition of intangible assets, which are primarily game licenses, as well as capital injection to an available-for-sale financial asset.

Operating Lease Commitments

The following table sets forth our total commitments for future lease payments under non-cancellable operating leases as of each date indicated:

	As of 31 December			As of 31 March
	2011	2012	2013	2014
	(in thousands of RMB)			
Within 1 year	4,768	8,738	9,428	11,257
In the 2 nd to 5 th year inclusive	369	2,393	18,415	16,765
Total	<u>5,137</u>	<u>11,131</u>	<u>27,843</u>	<u>28,022</u>

Adequacy of Working Capital

We finance our working capital needs primarily through cash flows from operating activities. Our revenue and our cost of revenue are expected to grow, reflecting a continued expansion of our business. We also expect to record cash inflows from the sales of our virtual goods and paid membership subscription. As we will continue to develop our business, the balance of our trade receivables is expected to grow in proportion with our revenue growth, together with the cash outflows in operating activities from our distribution and payment channel costs, marketing expenses and other operating expenses. Taking into account the financial resources available to the Group, including the cash flows from operating activities and the estimated net proceeds from the Global Offering, our Directors are of the view that, after due and careful inquiry, the Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus. Our Sponsor is of the view that our Directors have prepared the working capital sufficiency statement above after due and careful enquiry.

Our Directors confirmed that we did not have any material default in payment of trade and nontrade payables during the Track Record Period. We do not have any bank borrowings and other debt financing obligations as of 31 December 2011, 2012 and 2013, 31 March 2014, 30 April 2014 or the Latest Practicable Date and do not have any breaches of finance covenants during the Track Record Period.

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Trade Receivables

The balance of trade receivables at the end of respective years primarily consists of the portion of sales proceeds that our third-party game distributors' payment systems and online payment vendors had collected from players but not yet paid to us. As of 31 December 2011, 2012 and 2013 and 31 March 2014, we reviewed for evidence of impairment on both an individual and collective basis. Based on our assessment, provision for impairment loss was recognised accordingly and has been included in "administrative expenses" in the consolidated statements of comprehensive income. The impaired trade receivables were due from certain payment channel providers that experienced financial difficulties or ceased to exist. See the section headed "Business — Game Monetization — Our Payment Channels" in this prospectus. The following table sets out our trade receivables as of each date indicated:

	As of 31 December			As of 31 March
	2011	2012	2013	2014
	(in thousands of RMB)			
From third parties	7,949	13,867	36,325	53,077
Less: provision for impairment	(1,961)	(2,193)	(583)	(583)
Total	<u>5,988</u>	<u>11,674</u>	<u>35,742</u>	<u>52,494</u>

Our trade receivables increased from RMB6.0 million as of 31 December 2011 to RMB11.7 million as of 31 December 2012 and to RMB35.7 million as of 31 December 2013 and further to RMB52.5 million as of 31 March 2014, primarily due to our fast growth in mobile revenue which tend to create higher trade receivables as a percentage of revenue compared to PC revenue. The credit terms of trade receivables granted to distribution and payment channels were usually 30 to 90 days. The following table sets forth an aging analysis, based on the recognition date of our trade receivables as of each date indicated:

	As of 31 December			As of 31 March
	2011	2012	2013	2014
	(in thousands of RMB)			
0-30 days	2,027	3,883	10,589	13,982
31-60 days	955	1,617	9,308	7,220
61-90 days	925	1,458	8,772	8,459
91-180 days	1,166	3,077	6,832	22,620
181-365 days	651	1,520	164	135
Over 1 year	2,225	2,312	660	661
Total	<u>7,949</u>	<u>13,867</u>	<u>36,325</u>	<u>53,077</u>

Trade receivables aged between 91 and 180 as of 31 March 2014 reflected trade receivables generated during the fourth quarter of 2013. Our trade receivables aged between 91 and 180 days increased from RMB6.8 million as of 31 December 2013 to RMB22.6 million as of 31 March 2014 (the "Trade Receivables Increase") primarily due to the accelerating growth in our mobile revenue and the increasing use by our PC game players of payment channels provided by mobile carriers in 2013, and particularly in the fourth quarter of 2013. Certain mobile carriers, particularly China Mobile, have often settled their payments beyond the 90-day credit period. There is no material seasonal factor contributing to the Trade Receivables Increase. As of 31 December 2013 and 31 March 2014, of our total trade receivables aged between 91 and 180 days, RMB4.7 million and RMB19.3 million, respectively, were attributable to mobile carriers.

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The following table sets forth the average trade receivables turnover days for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March
	2011	2012	2013	2014
Average trade receivables turnover days ⁽¹⁾	16	16	37	43

Note:

(1) Average trade receivables turnover days for a period equals the average of opening and closing balances of trade receivables divided by revenue for that period and multiplied by 365 days (for the full-year periods) or 90 days (for the three-month period).

Our average trade receivables turnover days increased significantly from 16 days for the year ended 31 December 2012 to 37 days for the year ended 31 December 2013 and further to 43 days for the three months ended 31 March 2014, primarily because since 2013 we have derived an increasingly greater percentage of our revenue from payment channels provided by mobile carriers which tend to have longer credit terms with us, which were typically approximately three months.

Other Receivables

The following table sets out our other receivables as of each date indicated:

	As of 31 December			As of 31 March
	2011	2012	2013	2014
	(in thousands of RMB)			
Deposits, prepayments and other receivables	16,162	10,288	21,094	17,162
Advances to employees	64	965	1,755	1,749
Amounts due from shareholders	—	—	61	61
Deferred IPO costs	—	—	815	3,753
Less: provision for impairment	—	(1,000)	(1,000)	(1,000)
Total	<u>16,226</u>	<u>10,253</u>	<u>22,725</u>	<u>21,725</u>

Deposits, prepayments and other receivables in a period primarily consisted of sponsorship fee, channel usage fee, deposits paid and advances to suppliers. Our deposits, prepayments and other receivables decreased from RMB16.2 million as of 31 December 2011 to RMB10.3 million as of 31 December 2012 primarily due to (i) a decrease in pre-paid channel usage fee to distribution channel operators from RMB4.0 million as of 31 December 2011 to RMB2.2 million as of 31 December 2012; and (ii) a decrease in deposits or advances paid to game developers from RMB3.5 million as of 31 December 2011 to RMB63 thousand as of 31 December 2012. Our deposits, prepayments and other receivables increased from RMB10.3 million as of 31 December 2012 to RMB21.1 million as of 31 December 2013 primarily due to the increase in advance payments in connection with several combined online and offline tournaments to be held in the following year. Our deposits, prepayments and other receivables decreased from RMB21.1 million as of 31 December 2013 to RMB17.2 million as of 31 March 2014, primarily due to a reduction in advance payments in connection with our combined online and offline tournaments.

Advances to employees mainly represent reimbursable advances to employees for travel and other expenses to be incurred in the ordinary course of business. These advances are unsecured, interest-free and repayable on demand. Advances to employees increased from RMB64 thousand as of 31 December 2011 to RMB965

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thousand as of 31 December 2012 and to RMB1.8 million as of 31 December 2013, and remained stable at RMB1.7 million as of 31 March 2014.

Bank Balances and Cash and Available-for-sale Financial Assets

Our bank balances and cash consisted of non-pledged bank balances, term deposit and cash in hand. Our bank balances and cash increased from RMB31.7 million as of 31 December 2011 to RMB95.6 million as of 31 December 2012 primarily due to the capital injection by the equity holders of the Company and a non-controlling equity holder of RMB42.6 million and the receipt of a repayment from our former holding company of RMB27.9 million. Our bank balances and cash decreased from RMB95.6 million as of 31 December 2012 to RMB58.7 million as of 31 December 2013 primarily due to the purchase of intangible assets of RMB15.6 million and an addition in loans to shareholders of RMB25.0 million. Our bank balances and cash increased from RMB58.7 million as of 31 December 2013 to RMB95.1 million as of 31 March 2014 primarily due to the repayment of the loans we extended to shareholders in 2013 and increased profit from our operation.

Available-for-sale financial assets included in our current assets consist of unlisted trust funds at fair value. As of 31 December 2011, 2012 and 2013 and 31 March 2014, we had RMB5.0 million, nil, RMB5.0 million and RMB9.0 million, respectively, available-for-sale financial assets included in our current assets.

Trade Payables

The balance of trade payables at the end of respective years primarily consists of the portion of sales proceeds that we had collected from players but not yet paid to game licensors and third-party game developers/operators under our revenue-sharing agreements. Our trade payables as of 31 December 2011, 2012 and 2013 and 31 March 2014 were RMB12.7 million, RMB12.0 million, RMB12.5 million and RMB13.9 million, respectively. The following table sets forth an ageing analysis of our trade payables as of the dates indicated:

	As of 31 December			As of 31 March
	2011	2012	2013	2014
	(in thousands of RMB)			
0-30 days	8,704	4,792	5,395	5,042
31-60 days	2,561	1,112	2,673	3,989
61-90 days	320	1,445	611	782
91-180 days	861	2,152	912	1,698
181-365 days	85	1,892	888	420
Over 1 year	184	620	2,019	1,975
Total	12,715	12,013	12,498	13,906

The following table sets forth the average trade payables turnover days for the periods indicated:

	For the year ended 31 December			For the three months ended 31 March
	2011	2012	2013	2014
Average trade payables turnover days ⁽¹⁾	147	82	56	38

Note:

(1) Average trade payables turnover days for a period equals the average of opening and closing balances of trade payables divided by cost of revenue for that period and multiplied by 365 days (for the full-year periods) or 90 days (for the three-month period).

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Our average trade payables turnover days decreased significantly from 147 days for the year ended 31 December 2011 to 82 days for the year ended 31 December 2012 and to 56 days for the year ended 31 December 2013 and further to 38 days for the three months ended 31 March 2014, primarily because the percentage of our revenue derived from self-developed games increased steadily from 59.0% in 2011 to 70.3% in 2012 and to 80.2% in 2013 and further to 84.7% in the first quarter of 2014, which tend to create significantly less trade payables as a percentage of cost of revenue compared to licensed games and third-party operated games.

Other Payables

The following table sets forth our other payables as of the dates indicated:

	As of 31 December			As of 31 March
	2011	2012	2013	2014
	(in thousands of RMB)			
Receipts in advance	526	264	82	82
Other payables and accrued charges	3,888	3,129	4,614	3,161
Other tax liabilities	1,432	2,895	1,670	1,460
Staff costs and welfare accruals	5,588	6,214	5,700	6,873
IPO professional fees	—	—	2,599	7,114
Deferred income related to government grants	—	—	666	625
Total	<u>11,434</u>	<u>12,502</u>	<u>15,331</u>	<u>19,315</u>

Our other payables increased from RMB11.4 million as of 31 December 2011 to RMB12.5 million as of 31 December 2012 to RMB15.3 million as of 31 December 2013 and further to RMB19.3 million as of 31 March 2014. The increases in 2013 and the first quarter of 2014 were primarily due to significant IPO professional fees payables incurred in these periods in connection with this Global Offering. Staff costs and welfare accruals represent employee compensation and benefits accrued but unpaid yet at the end of each relevant year. Other tax liabilities mainly include PRC business tax for our revenue. Our Directors confirm that we did not have material defaults in payment of other payables during the Track Record Period.

Deferred Revenue

Deferred revenue represented service fees prepaid by players for our online games in the forms of prepaid game cards, virtual currencies and virtual goods, for which the related services had not been rendered as of the end of the relevant period.

INDEBTEDNESS

Bank Loans and Other Borrowings and Indebtedness Statements

Our Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as of 30 April 2014 or as of the Latest Practicable Date. Our Directors have confirmed that there has not been any material change in the indebtedness commitments and contingent liabilities of our Group since 30 April 2014 and up to the Latest Practicable Date.

As of 30 April 2014 and the Latest Practicable Date, we did not have any definitive plan to raise external financing except for the Global Offering.

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Contingent liabilities and guarantees

As of 30 April 2014 and the Latest Practicable Date, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

MARKET RISK DISCLOSURE

We are exposed to various types of market risks, including foreign currency risk, interest rate risk, price risk, credit risk and liquidity risk.

Foreign Currency Risk

We mainly operate in the PRC and a substantial portion of our revenue, cost of revenue and expenses are denominated in Renminbi. We also use Renminbi as our reporting currency. As of 31 December 2011, 2012 and 2013 and 31 March 2014, we had bank balances and cash denominated in U.S. dollar in the equivalent amounts of nil, RMB4.9 million, RMB4.1 million and RMB2.4 million, respectively. We have not had any material foreign exchange gains or losses. Although in general, our exposure to foreign exchange risks should be limited, the value of your investment in our Shares will be affected by the foreign exchange rate between Hong Kong dollar and Renminbi because the value of our business is effectively denominated in Renminbi, while our Shares will be traded in Hong Kong dollar.

Interest Rate Risk

Other than the interest-bearing bank deposits, we have no other significant interest-bearing assets. Our Directors do not anticipate significant impacts to interest-bearing assets resulting from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

Price Risk

We are exposed to price risk in relation to our investment in unlisted trust funds which are carried at fair value. The sensitivity analysis is determined based on the exposure to price risk of the unlisted trust funds held by the us at the end of each reporting period. If the fair value of the respective instrument held by us had been 5% higher/lower, the revaluation reserve would have been increased/decreased by RMB250.0 thousand, nil, RMB250.0 thousand and RMB450.0 thousand as of 31 December 2011, 2012 and 2013 and 31 March 2014, respectively, and no change in post-tax profit would have been expected for each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014.

We are not exposed to price risk for our equity investments because they do not have a quoted market price in an active market and their fair value cannot be reliably measured. They are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Credit Risk

Our credit risk relates mainly to our cash and deposits and trade and other receivables.

As of 31 December 2011, 2012 and 2013 and 31 March 2014, all of our cash at bank were deposited in state-owned PRC banks or reputable international financial institutions, with no recent history of default. As of 31 March 2014, our short-term investment included financial products purchased from a state-owned PRC financial institution, with no recent history of default.

A significant portion of our trade receivables was due from third-party game distributors and payment vendors. If our business relationship with these third-party game distributors and payment vendors is terminated or scaled

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back, or if they change the terms of the agreements with us, or if they experience financial difficulties in paying us, our trade receivables might be adversely affected in terms of recoverability. We frequently communicate with these third-party game distributors and payment vendors to manage such risk. We are of the view that such risk is minimal.

Liquidity Risk

We are exposed to liquidity risk. Our policy is to monitor and maintain a level of cash and cash equivalents deemed adequate by management to finance our operations and mitigate the effects of fluctuations in cash flows.

KEY FINANCIAL RATIOS

The following table sets forth our key financial ratios as of the dates or for the periods indicated:

	As of 31 December			As of 31 March	
	2011	2012	2013	2014	
Current ratio ⁽¹⁾	1.77	2.48	2.52	2.78	
Quick ratio ⁽²⁾	1.76	2.47	2.50	2.77	

	For the year ended 31 December			For the three months ended 31 March	
	2011	2012	2013	2013	2014
Return on equity (%) ⁽³⁾	53.9	36.3	31.4	1.6	13.4
Return on total assets (%) ⁽⁴⁾	22.6	23.1	22.2	1.1	9.7

Notes:

- (1) Current assets divided by current liabilities.
- (2) Current assets less inventories and divided by current liabilities.
- (3) Profit divided by the average of opening and closing total equity for that period and multiplied by 100%.
- (4) Profit divided by the average of opening and closing total assets for that period and multiplied by 100%.

Current Ratio

Our current ratio increased from 1.77 as of 31 December 2011 to 2.48 as of 31 December 2012, primarily due to the significant increase in current assets, particularly in bank balances and cash, primarily attributable to the capital injection by the equity holders of the Company and a non-controlling equity holder of RMB42.6 million and the receipt of a repayment from our former holding company of RMB27.9 million. Our current ratio was 2.52 as of 31 December 2013, which remained largely unchanged as compared to the current ratio as of 31 December 2012. Our current ratio increased from 2.52 as of 31 December 2013 to 2.78 as of 31 March 2014, primarily due to the increase in current assets primarily attributable to an increase in trade receivables associated with our rapid growth in mobile revenue and an increase in bank balances and cash generated from our growing profit.

Quick Ratio

We only had small amounts of inventories, accounting for less than 1% of our current assets for each year during the Track Record Period. Therefore, our quick ratio was substantially the same as our current ratio. See “— Current Ratio” above.

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Return on Equity

Our return on equity decreased from 53.9% for the year ended 31 December 2011 to 36.3% for the year ended 31 December 2012 and 31.4% for the year ended 31 December 2013, primarily due to the significant increases in total equity. The increase in equity in 2012 was primarily due to the capital injection by the equity holders of the Company and a non-controlling equity holder, and the increase in equity in 2013 was primarily due to an increase in reserves and retained earnings due to our increased net profit margin. However, our return on equity increased from 1.6% for the three months ended 31 March 2013 to 13.4% for the three months ended 31 March 2014 primarily due to our significant increase in profit.

Return on Total Assets

Our return on total assets were relatively stable during the years ended 31 December 2011, 2012 and 2013. However, our return on total assets increased from 1.1% for the three months ended 31 March 2013 to 9.7% for the three months ended 31 March 2014 primarily due to our significant increase in profit.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDEND POLICY

We are a holding company incorporated in the Cayman Islands. We rely on payments made from Beijing Lianzhong to the WFOE, our wholly-owned PRC subsidiary, pursuant to the Contractual Arrangements, and the distribution of such payments to Lianzhong Hong Kong (being the immediate holding company of the WFOE) as dividends from the WFOE. Certain payments from Lianzhong to the WFOE are subject to PRC taxes. In addition, PRC laws and regulations require that dividends of a PRC company, such as the WFOE, be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. In addition, PRC laws and regulations require a foreign-invested enterprise, such as the WFOE, to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends. Further, the WFOE may also allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds which may not be distributed to us. In addition, payments and distributions from our subsidiaries may be restricted if any of them incur losses or debts or as a result of any restrictive covenants in the instruments governing the debt or other agreements that our subsidiaries may enter into the future. Any dividends paid by the WFOE to Lianzhong Hong Kong will be subject to a withholding tax at a rate of up to 10%, provided that Lianzhong Hong Kong is not considered to be a PRC tax resident enterprise.

As of 31 December 2013, no dividends had been paid or declared by our Company since its incorporation. Subsequent to 31 December 2013, a special dividend amounting to approximately RMB296.5 million was proposed by the Board and approved by the shareholders of the Company in January 2014 and paid on 17 February 2014. The special dividend has been accounted for as an appropriation of the share premium account for the three months ended 31 March 2014.

Lianzhong declared and paid dividends in an aggregate amount of RMB29.0 million for the year ended 31 December 2012 to its equity holders. Subsequent to 31 December 2013 and before the Contractual Arrangements were entered, a final dividend for the year ended 31 December 2013 amounting to RMB3.5 million was approved by its shareholders on 27 January 2014. The dividend has been accounted for as an appropriation of accumulated profits in the three months ended 31 March 2014.

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You should note that historical dividend distributions are not indicative of our future dividend distribution policy. After completion of the Global Offering, our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars. The payment and the amount of any future dividends will be at the discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Companies Law, including the approval of our Shareholders and that dividends can only be paid out of profits or other distributable reserves.

As of 31 March 2014, the unremitted earnings of Lianzhong for which no deferred income tax liability had been provided were approximately RMB80.2 million. Such earnings are expected to be retained in the WFOE and Lianzhong to meet their operation cash flow needs. We do not intend to distribute these unremitted earnings in the foreseeable future. This amount of past unremitted earnings will affect the amount of reserves available for dividend distribution in the foreseeable future. However, we do not believe that it will affect our ability to generate distributable profits in the future or our intention to distribute dividends after the Global Offering.

DISTRIBUTABLE RESERVES

As of 31 December 2013, we had no distributable reserves. Upon the subscription and issue of the Series A Preferred Shares on 7 February 2014, approximately US\$49.1 million (equivalent to approximately RMB300.0 million) was credited to the share premium account of the Company, which became distributable. Thereafter, the Company declared and paid a special dividend of approximately US\$48.6 million (equivalent to approximately RMB296.5 million) to its shareholders. As of 31 March 2014, we had no distributable reserves.

LISTING-RELATED EXPENSE INCURRED AND TO BE INCURRED

The total estimated listing related expenses (excluding underwriting commissions to the Underwriters) in relation to the Global Offering is approximately RMB24.7 million, of which RMB7.4 million had been incurred during the Track Record Period and were charged to profit or loss for the year ended 31 December 2013 and the three months ended 31 March 2014. Our Directors do not expect expenses to be incurred after the Track Record Period to have a material and adverse impact on our financial results for the year ending 31 December 2014.

RELATED PARTY TRANSACTIONS

During the year ended 31 December 2011, Wildwolf assigned an amount due to Lianzhong Digital Amusement Technology (Beijing) Co., Ltd. (聯眾數字娛樂科技(北京)有限公司), “**Lianzhong Digital**”) of approximately RMB27.9 million to Lianzhong. Accordingly, the amount due from Wildwolf was increased by RMB27.9 million and the amount due from Lianzhong Digital was set off by RMB27.9 million. Wildwolf and Lianzhong Digital were companies owned and controlled by the Controlling Shareholders.

During the year ended 31 December 2013, Lianzhong extended loans to two of its shareholders, Mr Liu in the amount of RMB20.0 million and Mr Bao Yueqiao in the amount of RMB5.0 million. These two loans were fully repaid in February 2014. We do not intend to extend any loans or advances and provide any guarantees to related parties after the listing.

During the year ended 31 December 2013, revenue sharing for licensed games paid by Lianzhong to Beijing Linghegu Online Technology Co., Ltd. (北京零禾穀網絡科技有限責任公司), a company in which Lianzhong holds 17.05% interest, amounted to RMB147 thousand.

On 28 January 2014, the WFOE, Lianzhong and its shareholders entered into the Contractual Arrangements whereby the WFOE acquired effective control over the financial and operational policies of Lianzhong and

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became entitled to all the economic benefits derived from the operations of Lianzhong and its subsidiaries. See the section headed “Contractual Arrangements” in this prospectus.

In addition to the transactions and information disclosed elsewhere in this section and Appendix I, our related party transactions include remuneration of the members of our board of directors and certain senior management personnel, in the aggregate amounts of RMB1.8 million, RMB2.4 million, RMB1.3 million and RMB3.0 million for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014, respectively.

Our Directors confirm that these related party transactions were conducted in the ordinary and usual course of business and on normal commercial terms, and that they did not distort our Group’s track record results or make the historical results not reflective of our future performance.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of our Group prepared in accordance with Rule 4.29 of the Listing Rules is to illustrate the effect of the Global Offering on the net tangible assets of our Group as of 31 March 2014 as if the Global Offering had taken place on that date. The unaudited pro forma statement of adjusted net tangible assets of our Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not provide a true picture of our net tangible assets had the Global Offering been completed as of 31 March 2014 or at any future date. The unaudited pro forma statement of adjusted net tangible assets is based on the audited consolidated net tangible assets derived from the audited financial information of our Group as of 31 March 2014, as set out in the Accountant’s Report in Appendix I to this prospectus and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant’s Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share ⁽³⁾	
	(in thousands of RMB)			(RMB)	(HK\$)
Based on an Offer					
Price of HK\$3.70 per Share	129,742	529,197	658,939	0.84	1.06
Based on an Offer					
Price of HK\$4.80 per Share	129,742	693,542	823,284	1.05	1.32

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as of 31 March 2014 is extracted from the Accountant’s Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as of 31 March 2014 of RMB173,140 thousand with an adjustment for the intangible assets as of 31 March 2014 of RMB43,398 thousand.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$3.70 and HK\$4.80 per Share after deduction of the underwriting fees and commissions and other estimated listing-related expenses (excluding listing-related expenses of approximately RMB7,353 thousand which have been accounted for prior to 31 March 2014) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 784,000,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Global Offering). No account has been taken of the Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2014.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.79486.

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NO MATERIAL ADVERSE CHANGE

After performing sufficient due diligence work which our Directors consider appropriate and after due and careful consideration, our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since 31 March 2014, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since 31 March 2014 which would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE UNDER RULES 13.13 TO 13.19 OF THE LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 13.13 to 13.19 of the Listing Rules.

FUTURE PLANS AND USE OF PROCEEDS

FUTURE PLANS

Please see the section headed “Business — Our Strategies” for a detailed description of our future plans.

USE OF PROCEEDS

It is estimated that the gross proceeds from the Listing is approximately HK\$833.0 million and the related listing expenses including underwriting fees and other related expenses is approximately HK\$73.1 million and the resulting net proceeds from the Listing is approximately HK\$759.9 million, assuming an Offer Price of HK\$4.25 per Share being the mid-point of the Offer Price range. We intend to use such net proceeds for the following purposes over a period of three to four years after the Listing:

- Approximately HK\$228.0 million or approximately 30% of our total estimated net proceeds to optimise and expand our online game portfolio, especially our mobile card and board game portfolio, including by launching 30-40 new mobile card and board games in 2014 and 2015, and further improve our game development engine, data analytics system and cloud technology infrastructure, including through additional investment in research and development and new acquisition of property, plant and equipment.
- Approximately HK\$152.0 million or approximately 20% of our total estimated net proceeds to purchase intellectual property rights and distribution licenses of complementary games. We conduct detailed qualitative and quantitative analysis to select game intellectual properties and licences for acquisition, including feasibility, financial projections, internal resources entailed by the acquisition and project planning. We are generally required to pay an upfront licence fee for new licences we purchase.
- Approximately HK\$190.0 million or approximately 25% of our total estimated net proceeds to further market our online games by continuing to organise combined online and offline card and board game tournaments and increasing our other advertising and promotional activities. For example, we will co-organise the 14th World Bridge Series Championships in October 2014 and we plan to continue to organise WPT National China annually.
- Approximately HK\$114.0 million or approximately 15% of our total estimated net proceeds to invest in or acquire independent game developers focused on mobile games to enhance mobile game development and technology capabilities. As of the Latest Practicable Date, we had not identified any specific suitable target of acquisition.
- The remaining amount of approximately HK\$76.0 million or approximately 10% of our total estimated net proceeds to supplement our working capital and for other general corporate purposes.

We do not intend to transfer any of the net proceeds of the Global Offering to Lianzhong.

If the Offer Price is set at the highest or lowest point of the indicative Offer Price range, the net proceeds of the Global Offering, assuming that the Over-allotment Option is not exercised, will increase by approximately HK\$103.4 million or decrease by approximately HK\$103.4 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rate basis.

If the Over-allotment Option is exercised in full, the net proceeds from the Global Offering will increase to approximately HK\$879.7 million, assuming an Offer Price of HK\$4.25 per Share, being the mid-point of the proposed Offer Price range. If the Offer Price is set at the high-end or low-end of the proposed Offer Price range, the net proceeds of the Global Offering, including the proceeds from the exercise of the Over-allotment Option, will increase by approximately HK\$118.9 million or decrease by approximately HK\$118.9 million, respectively. In such event, we will increase or decrease the intended use of the net proceeds for the above purposes on a pro-rate basis.

To the extent that the net proceeds of the Global Offering are not immediately used for the above purposes and to the extent permitted by the relevant laws and regulations, we intend to deposit such net proceeds into interest-bearing bank accounts with licensed banks and/or financial institutions.

UNDERWRITING

UNDERWRITERS

Hong Kong Underwriters

Jefferies Hong Kong Limited
China International Capital Corporation Hong Kong Securities Limited

International Underwriters

Jefferies Hong Kong Limited
China International Capital Corporation Hong Kong Securities Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, our Company is offering initially 19,600,000 Hong Kong Offer Shares (subject to adjustment and the Over-allotment Option) for subscription by way of the Hong Kong Public Offering at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject to the Listing Committee of the Stock Exchange granting the listing of, and permission to deal in, the Shares in issue and to be issued, and to certain other conditions described in the Hong Kong Underwriting Agreement (including the Joint Bookrunners, on behalf of the Underwriters, and us agreeing to the Offer Price), the Hong Kong Underwriters have agreed severally to subscribe, or procure subscribers to subscribe, for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and Hong Kong Underwriting Agreement. The Hong Kong Underwriting Agreement is conditional upon and subject to the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated.

Grounds for Termination

The obligations of the Hong Kong Underwriters to subscribe or procure subscriptions for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination if, at any time prior to 8:00 a.m. on the Listing Date:

- (A) there shall develop, occur, exist or come into effect:
- (a) any event, or series of events, in the nature of *force majeure* (including, without limitation, any acts of government, declaration of a national or international emergency or war, calamity, crisis, epidemic, pandemic, outbreak of infectious disease, economic sanctions, strikes, lock-outs, fire, explosion, flooding, earthquake, civil commotion, riots, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of God or acts of terrorism) in Hong Kong, the PRC, the United States, the United Kingdom, the European Union (or any member thereof), Japan, or the Cayman Islands (collectively, the “**Relevant Jurisdictions**”); or
 - (b) any change or development involving a prospective change, or any event or series of events likely to result in any change or development involving a prospective change, in local, national, regional or international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit or market conditions or exchange control or any monetary or trading settlement system (including, without limitation, conditions in the stock and bond markets, money and foreign exchange markets, the interbank markets and credit markets or a change in the system under which the value of the Hong Kong currency is linked to that of the currency of the United States or the Renminbi is linked to any foreign currency or currencies), in or affecting the Relevant Jurisdictions ; or

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- (c) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading in securities generally on the Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange; or
- (d) any general moratorium on commercial banking activities in Hong Kong (imposed by the Financial Secretary or the Hong Kong Monetary Authority or other competent Authority), New York (imposed at Federal or New York State level or other competent Authority), London, the PRC, the European Union (or any member thereof), Japan, the Cayman Islands or any other jurisdiction relevant to any member of our Group, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in those places or jurisdictions; or
- (e) any new law, policy or regulation or any change or development involving a prospective change in existing laws, policy or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting the Relevant Jurisdictions; or
- (f) the imposition of economic sanctions, in whatever form, directly or indirectly, by, or for, the United States, the United Kingdom, Japan or the European Union (or any member thereof) on the PRC or any other jurisdiction relevant to any member of our Group; or
- (g) a change or development involving a prospective change in Taxation or exchange control, currency exchange rates or foreign investment regulations (including, without limitation, a devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies), or the implementation of any exchange control, in the Relevant Jurisdictions; or
- (h) a Director being charged with an indictable offence or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (i) the chairman or chief executive officer of our Company or any Director vacating his office; or
- (j) an authority or a political body or organisation in any relevant jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any Director; or
- (k) a contravention by any member of our Group of the Companies Ordinance, the Listing Rules or applicable laws; or
- (l) a prohibition on our Company for whatever reason from offering, allotting, issuing or selling the Shares (including the Shares to be issued by the Company pursuant to the Over-allotment Option) pursuant to the terms of the Global Offering; or
- (m) non-compliance of this prospectus or the Application Forms (or any other documents used in connection with the contemplated offer and sale of the Shares) or any aspect of the Global Offering with the Listing Rules or any other applicable law or regulation; or
- (n) the issue or requirement to issue by our Company of any supplement or amendment to this prospectus or the Application Forms or post hearing information pack of our Company (or to any other documents used in connection with the contemplated offer and sale of the Shares) pursuant to the Companies Ordinance or the Listing Rules or any requirement or request of the Stock Exchange and/or the SFC without the prior consent of the Joint Bookrunners; or
- (o) any change or prospective change in, or a materialisation of, any of the risks set out in the section headed “Risk Factors” in this prospectus; or

UNDERWRITING

- (p) an order or petition for the winding up of any member of our Group or any composition or arrangement made by any member of our Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group,

and which, individually or in the aggregate, in the sole opinion of the Joint Bookrunners (for themselves and on behalf of the Hong Kong Underwriters) (1) has or will or is likely to have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, or performance of our Group as a whole; or (2) has or will have or is likely to have a material adverse effect on the success of the Global Offering or (3) makes or will make or is likely to make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Underwriting Agreement, or for any part of the Hong Kong Public Offering or the Global Offering to be performed or implemented or proceed as envisaged or to market the Global Offering or to deliver the Offer Shares on the terms and in the manner contemplated by this prospectus; or (4) has or will or is likely to have the effect of making any part of the Hong Kong Underwriting Agreement (including underwriting, the Hong Kong Public Offering and/or the Global Offering) incapable of performance in accordance with its terms or preventing the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or

(B) there has come to the notice of the Joint Bookrunners:

- (a) that any statement contained in this prospectus and/or any of the Application Forms and/or in any notices, announcements, post hearing information pack of our Company, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become, untrue, incorrect, inaccurate or misleading in any material respect, or that any forecast, expression of opinion, intention or expectation contained in this prospectus and/or any of the Application Forms and/or any notices, announcements, post hearing information pack of our Company, advertisements, communications or other documents issued by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) is not fair and honest and based on reasonable assumptions; or
- (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from this prospectus or any of the Application Forms, post hearing information pack of our Company and/or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto); or
- (c) any breach of any of the obligations imposed upon any party to the Hong Kong Underwriting Agreement or the International Underwriting Agreement (other than upon any of the Hong Kong Underwriters or the International Underwriters); or
- (d) any event, act or omission which gives or is likely to give rise to any liability of any of the indemnifying parties under the Hong Kong Underwriting Agreement; or
- (e) any adverse change or development involving a prospective adverse change in the assets, liabilities, business, general affairs, management, prospects, shareholders' equity, profits, losses, results of operations, position or condition, financial or otherwise, including any litigation or claim of any third party being threatened or instigated against our Company or any member of our Group; or
- (f) a valid demand having been made by any creditor for repayment or payment of any indebtedness of any member of our Group; or

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- (g) any breach of, or any matter or event rendering untrue, incorrect, inaccurate or misleading in any respect, any of the warranties under the Hong Kong Underwriting Agreement; or
- (h) approval by the Listing Committee of the Stock Exchange of the listing of, and permission to deal in, the Shares to be issued or sold (including any additional Shares that may be issued or sold pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted, other than subject to customary conditions, on or before the date of the listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (i) our Company withdraws this prospectus (and/or any other documents issued or used in connection with the Global Offering) or the Global Offering.

Undertakings Given to the Stock Exchange Pursuant to the Listing Rules

(A) Undertaking by our Company

Pursuant to Rule 10.08 of the Listing Rules, we have undertaken to the Stock Exchange that no further Shares or securities convertible into our equity securities (whether or not of a class already listed) may be issued by us or form the subject of any agreement to such an issue by us within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except in certain circumstances prescribed by Rule 10.08 of the Listing Rules.

(B) Undertaking by our Controlling Shareholders

Pursuant to Rule 10.07(1) of the Listing Rules, each of the Controlling Shareholders immediately before the completion of the Global Offering, has undertaken to the Stock Exchange that except pursuant to the Global Offering, he/she/it will not, and will procure that any other registered holder (if any) of our Shares in which he/she/it has a beneficial interest will not, without the prior written consent of the Stock Exchange or unless otherwise in compliance with the requirements of the Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the date on which dealings in our Shares commence on the Stock Exchange (“First Six-month Period”), dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of our Shares in respect of which he/she/it is shown in this prospectus to be the beneficial owner; and
- (b) in the six-month period commencing from the expiry of the First Six-month Period (“Second Six-month Period”) dispose of, or enter into any agreement to dispose of, or otherwise create any options, rights, interests or encumbrances in respect of any of the Shares referred to in paragraph (a) above, and to such extent that immediately following such disposal, or upon the exercise or enforcement of such options, rights, interests or encumbrances, he/she/it would then cease to be a controlling shareholder of the Company.

Each of our Controlling Shareholders has also undertaken to the Stock Exchange and us that, within the period commencing on the date by reference to which disclosure of its/his/her shareholding in our Company is made in this prospectus and ending on the date which is 12 months from the Listing Date, it/he/she will:

- (a) when it/he/she pledges or charges any Shares or other securities of our Company beneficially owned by it/him/her in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) pursuant to Note (2) to Rule 10.07(2) of the Listing Rules, immediately inform us of such pledge or charge together with the number of such Shares or other securities so pledged or charged; and

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- (b) when it/he/she receives any indications, either verbal or written, from any pledgee or charge of any Shares or other securities of our Company pledged or charged that any of such Shares or securities will be disposed of, immediately inform us in writing of any such indications.

We will inform the Stock Exchange as soon as we have been informed of the above matters (if any) by any of the Controlling Shareholders and disclose such matters by way of an announcement published in accordance with Rule 2.07C of the Listing Rules as soon as possible after being so informed by any of the Controlling Shareholders.

Undertakings Pursuant to the Hong Kong Underwriting Agreement

(A) Undertaking by our Company

We have undertaken to each of the Joint Global Coordinators, Joint Bookrunners, Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters pursuant to the Hong Kong Underwriting Agreement that, except pursuant to the Global Offering (including pursuant to the Over-allotment Option), the Capitalisation Issue and the exercise of any of the options granted or to be granted under the Management Pre-IPO Share Option Scheme, we will not, without the prior written consent of the Joint Bookrunners and unless in compliance with the requirements of the Listing Rules, at any time from the date of the Hong Kong Underwriting Agreement until the expiry of the First Six-Month Period,

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of such other member of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any shares of such other member of our Group, as applicable); or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction described in sub-paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in sub-paragraph (a) to (c) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-month Period). In the event that, during the Second Six-month Period, our Company enters into any of the transactions described in sub-paragraph (a) to (c) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all necessary steps to ensure that it will not create a disorderly or false market in the securities of our Company.

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(B) Undertaking by Mr Zhang, Mr Liu, Sonic Force Limited and Elite Vessels Limited

Each of Mr Zhang, Mr Liu, Sonic Force Limited and Elite Vessels Limited, pursuant to the Hong Kong Underwriting Agreement, has agreed and undertaken to the Company, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Sole Sponsor and the Hong Kong Underwriters that, except pursuant to the Stock Borrowing Agreement, without the prior written consent of the Joint Bookrunners and unless in compliance with the requirements set out in the Listing Rules,

- a) they will not, at any time from the date of the Hong Kong Underwriting Agreement up to and including the expiry date of the First Six-month Period:
 - (i) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares, as applicable), or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any interest therein in (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares), or
 - (iii) enter into any transaction with the same economic effect as any transaction described in sub-paragraphs (i) or (ii) above, or
 - (iv) offer to or agree to or announce any intention to effect any transaction described in sub-paragraphs (i) to (iii) above, in each case, whether any of the transactions described in sub-paragraphs (i) to (iii) above is to be settled by delivery of Shares or such other securities of our Company or shares or other securities of such other member of our Group, as applicable, or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the aforesaid period);
- b) they will not, during the Second Six-month Period, enter into any of the transactions described in sub-paragraphs (a)(i) to (a)(iii) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, they will cease to be a “controlling shareholder” (as the term is defined in the Listing Rules) of our Company;
- c) until the expiry of the Second Six-month period, in the event that they enter into any of the transactions described in sub-paragraphs (a)(i) to (a)(iii) above or offer to or agrees to or announce any intention to effect any such transaction, they will take all reasonable steps to ensure that they will not create a disorderly or false market in the securities of our Company; and
- d) they will procure the other Controlling Shareholders that are not a party to the Hong Kong Underwriting Agreement to comply with the undertakings described in sub-paragraphs (a) to (c) above.

Commission and Expenses

The Hong Kong Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Placing, we will pay an underwriting commission at the rate applicable to the International Placing and such commission will be paid to the International Underwriters and not the Hong Kong Underwriters. The commissions payable to the Underwriters

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will be borne by our Company in relation to the new Shares to be issued in relation to the Global Offering. Our Company may also at its sole discretion to pay either or all of the Joint Bookrunners an additional incentive fee of up to 0.5% of the gross aggregate sale proceeds of the Offer Shares.

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Stock Exchange trading fee, legal and other professional fees, printing and other expenses paid and payable by us relating to the Global Offering are estimated to amount to approximately HK\$73.1 million in total (based on the mid-point of our indicative price range for the Global Offering).

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Indemnity

Our Company, Mr Zhang, Mr Liu, Sonic Force Limited and Elite Vessels Limited have agreed to severally indemnify the Hong Kong Underwriters against certain losses which they may suffer, including losses arising from their performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us, Mr Zhang, Mr Liu, Sonic Force Limited or Elite Vessels Limited of the Hong Kong Underwriting Agreement as the case may be.

Hong Kong Underwriters' Interests in Our Company

Save as disclosed in this prospectus and other than pursuant to the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding interests in any member of the Group or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Following the completion of the Global Offering, the Hong Kong Underwriters and their affiliated companies may hold a certain portion of the Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement.

Stamp Taxes

Buyers of Offer Shares sold by the Underwriters may be required to pay stamp taxes and other charges in accordance with the laws and practice of the country of purchase in addition to the Offer Price.

International Placing

In connection with the International Placing, the Company expects to enter into the International Underwriting Agreement with, among others, the International Underwriters and other parties named therein. Under the International Underwriting Agreement, the International Underwriters will, subject to certain conditions, severally agree to purchase the International Placing Shares being offered pursuant to the International Placing or procure purchasers for such International Placing Shares. It is expected that pursuant to the International Underwriting Agreement, our Company, Mr Zhang, Mr Liu, Sonic Force Limited and Elite Vessels Limited will give undertakings similar to those given pursuant to the Hong Kong Underwriting Agreement in the section headed “— Undertakings Pursuant to the Hong Kong Underwriting Agreement”.

The Company will grant to the International Underwriters the Over-allotment Option, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters), at any time from the day on which trading of our Shares commences on the Stock Exchange until 30 days after the last day for lodging of applications under the Hong Kong Public Offering, to require the Company to allot and issue up to an aggregate of 29,400,000 Shares at the Offer Price, in connection with over-allocations in the International Placing.

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Over-allotment and Stabilisation

Stabilisation is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilise, the underwriters may bid for, or purchase, the newly issued securities in the secondary market, during a specified period of time, to retard, and if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, the price at which stabilisation is effected is not permitted to exceed the Offer Price.

In connection with the Global Offering, Jefferies, its affiliates or any person acting for it, as the Stabilisation Manager, on behalf of the Underwriters, may over-allocate or effect any other transactions with a view to stabilising or maintaining the market price of the Shares at a level higher than that which might otherwise prevail in the open market for a limited period after the commencement of trading in the Shares on the Stock Exchange. Such market purchases of Offer Shares will be affected in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilisation Manager or any person acting for it to conduct any such stabilising activity, which if commenced, will be done at the absolute discretion of the Stabilisation Manager and may be discontinued at any time. Any such stabilising activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering.

Stabilising action permitted in Hong Kong pursuant to the Securities and Futures (Price Stabilising) Rules (Chapter 571 of the Laws of Hong Kong) includes (i) over-allocation for the purpose of preventing or minimizing any reduction in the market price, (ii) selling or agreeing to sell Offer Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price, (iii) subscribing, or agreeing to subscribe, for Shares pursuant to the Over-allotment Option (exercisable by the Joint Global Coordinators on behalf of the International Underwriters) in order to close out any position established under (i) or (ii) above, (iv) purchasing, or agreeing to purchase, Offer Shares for the sole purpose of preventing or minimizing any reduction in the market price, (v) selling Offer Shares to liquidate a long position held as a result of those purchases and (vi) offering or attempting to do anything described in (ii), (iii), (iv) or (v). The number of Shares that may be over-allocated will not exceed the number of Shares that may be sold under the Over-allotment Option, namely 29,400,000 Shares, which is 15% of the Offer Shares initially available under the Global Offering.

Stabilising actions by the Stabilisation Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in Hong Kong on stabilisation.

As a result of effecting transactions to stabilise or maintain the market price of our Shares, the Stabilisation Manager, or any person acting for it, may maintain a long position in our Shares. The size of the long position, and the period for which the Stabilisation Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilisation Manager and is uncertain. Investors should be warned that, in the event that the Stabilisation Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of our Shares.

Stabilising action by the Stabilisation Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilising period, which begins on the Listing Date and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilising period is expected to end on 23 July 2014. As a result, demand for the Shares, and their market price, may fall after the end of the stabilising period.

Any stabilising action taken by the Stabilisation Manager, or any person acting for them, may not necessarily result in the market price of the Shares staying at or above the Offer Price either during or after the stabilising period. Stabilising bids for or market purchases of the Shares by the Stabilisation Manager, or any person acting for it, may be made at or below the Offer Price and can therefore be made at or below the price paid for the Offer Shares by applicants for, or investors in, the Offer Shares.

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In connection with the Global Offering, the Stabilisation Manager may over-allocate up to and not more than an aggregate of 29,400,000 additional Shares and cover such over-allocations by making purchases in the secondary market at prices that do not exceed the Offer Price, or through stock borrowing arrangements, or acquiring Shares from other sources, including the exercise of the Over-allotment Option by the Joint Global Coordinators (on behalf of the International Underwriters), or a combination of these means.

SOLE SPONSOR'S INDEPENDENCE

The Sole Sponsor satisfies the independence criteria applicable to sponsors set out in Rule 3A.07 of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (a) the Hong Kong Public Offering of 19,600,000 Shares (subject to reallocation) in Hong Kong as described below in the section headed “— The Hong Kong Public Offering” in this section; and
- (b) the International Placing of 176,400,000 Shares (subject to reallocation and the Over-allotment Option) outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for the Hong Kong Offer Shares under the Hong Kong Public Offering or indicate an interest, if qualified to do so, for the International Placing Shares under the International Placing, but may not do both. The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors in Hong Kong. The International Placing will involve selective marketing of the International Placing Shares to institutional and professional investors and other investors expected to have a sizeable demand for the International Placing Shares in Hong Kong and other jurisdictions outside the United States in accordance with Regulation S. The International Underwriters are soliciting from prospective investors indications of interest in acquiring the International Placing Shares. Prospective investors will be required to specify the number of International Placing Shares under the International Placing they would be prepared to acquire either at different prices or at a particular price. References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 19,600,000 Hong Kong Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Placing, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 2.5% of our Company’s enlarged issued share capital immediately after completion of the Global Offering assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the paragraph headed “— Conditions of the Hong Kong Public Offering” in this section.

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

STRUCTURE OF THE GLOBAL OFFERING

The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes:

- Pool A : The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.
- Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 9,800,000 Hong Kong Offer Shares will be rejected.

Reallocation

Paragraph 4.2 of Practice Note 18 of the Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached. In the event of over-applications in the Hong Kong Public Offering, the Joint Bookrunners shall apply a clawback mechanism following the closing of the application lists on the following basis:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Placing, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 58,800,000 Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 78,400,000 Shares, representing 40% of the Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Placing will be increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 98,000,000 Shares, representing 50% of Offer Shares initially available under the Global Offering.

STRUCTURE OF THE GLOBAL OFFERING

The Offer Shares to be offered in the Hong Kong Public Offering and the International Placing may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Bookrunners. Subject to the foregoing paragraph, the Joint Bookrunners may in their discretion reallocate Shares from the International Placing to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Bookrunners will have the discretion (but shall not be under any obligation) to reallocate to the International Placing all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Placing Shares, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Placing Shares.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$4.80 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, equal to a total of HK\$4,848.38 for one board lot of 1,000 Shares. If the Offer Price, as finally determined in the manner described in the paragraph headed "Pricing and Allocation" below, is less than the maximum price of HK\$4.80 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed "How to Apply for Hong Kong Offer Shares" in this prospectus.

THE INTERNATIONAL PLACING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Placing will be 176,400,000 Offer Shares representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Placing and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Placing will represent approximately 22.5% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

Allocation

Pursuant to the International Placing, the International Placing Shares will be conditionally placed on behalf of our Company by the International Purchasers or through selling agents appointed by them. International Placing Shares will be selectively placed with certain professional and institutional investors and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Placing is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Placing will be effected in accordance with the "book-building" process described in the paragraph headed "Pricing and Allocation" below and based on a number of factors, including the level and timing of demand, total size of the relevant investor's invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

STRUCTURE OF THE GLOBAL OFFERING

The Joint Bookrunners (for themselves and on behalf of the Underwriters) may require any investor who has been offered International Placing Shares and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Bookrunners so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of International Placing Shares to be issued or sold may change as a result of the clawback arrangement described in the paragraph headed “— The Hong Kong Public Offering -Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in the paragraph headed “— Over-allotment Option” below, and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any International Placing Shares to the Hong Kong Public Offering at the discretion of the Joint Bookrunners.

OVER-ALLOTMENT OPTION

In connection with the Global Offering, it is expected that we will grant the Over-allotment Option to the Joint Bookrunners, which will be exercisable by the Joint Bookrunners on behalf of the International Underwriters.

Pursuant to the Over-allotment Option, the Joint Bookrunners have the right, exercisable by the Joint Bookrunners on behalf of the International Underwriters at any time from the Listing Date to the 30th day after the last day for lodging applications under the Hong Kong Public Offering, to require us to issue up to 29,400,000 Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price under the International Placing, to, among other things, cover over-allocations in the International Placing, if any.

If the Over-allotment Option is exercised in full, the additional International Placing Shares to be issued pursuant thereto will represent approximately 3.75% of our Company’s enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, a public announcement will be made.

OVER-ALLOCATION

Following any over-allocation of Shares in connection with the Global Offering, the Joint Bookrunners, their affiliates or any person acting for them may cover such over-allocation by (among other methods) using Shares purchased by the Joint Bookrunners, their affiliates or any person acting for them in the secondary market and/or exercising the Over-allotment Option in full or in part. Any such purchases will be made in accordance with the laws, rules and regulations in place in Hong Kong, including in relation to stabilisation, the Securities and Futures (Price Stabilising) Rules, as amended, made under the SFO. The number of Shares which can be over-allocated will not exceed the number of Shares which may be issued upon exercise of the Over-allotment Option, being 29,400,000 Shares, representing approximately 15% of the Offer Shares initially available under the Global Offering.

STOCK BORROWING AGREEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilisation Manager may choose to borrow up to 29,400,000 Shares from Elite Vessels Limited pursuant to the Stock Borrowing Agreement. The stock borrowing arrangements under the Stock Borrowing Agreement will comply with the requirements set out in Rule 10.07(3) of the Listing Rules.

STRUCTURE OF THE GLOBAL OFFERING

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring International Placing Shares. Prospective professional and institutional investors will be required to specify the number of International Placing Shares they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building", is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about 24 June 2014 and in any event on or before 27 June 2014, by agreement between the Joint Bookrunners, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the Offer Price per International Placing Share based on the Hong Kong dollar price per International Placing Share, as determined by the Joint Bookrunners, on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK\$4.80 per Offer Share and is expected to be not less than HK\$3.70 per Offer Share, unless otherwise announced no later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$4.80 per each Hong Kong Offer Share (plus 1% brokerage, 0.003% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$4.80, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before 27 June 2014, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Bookrunners, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.ourgame.com, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Bookrunners, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or

STRUCTURE OF THE GLOBAL OFFERING

revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction.

In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Bookrunners, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Bookrunners may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Placing, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares available under the Global Offering (assuming the Over-allotment Option is not exercised). The Offer Shares to be offered in the Hong Kong Public Offering and the Offer Shares to be offered in the International Placing may, in certain circumstances, be reallocated between these offerings at the discretion of the Joint Bookrunners.

If applications for the Offer Shares have been submitted prior to the day which is the last day for lodging applications under the Hong Kong Public Offering, such application can be subsequently withdrawn if the number of Offer Shares and/or the indicative Offer Price range is so reduced.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on 27 June 2014 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.ourgame.com.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Bookrunners, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Placing on the Price Determination Date.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarised in the section headed “Underwriting” in this prospectus.

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the conversion of all Series A Preferred Shares to Shares, the Capitalisation Issue, the Global Offering and the exercise of any options that may be granted under our Management Pre-IPO Share Option Scheme;
- (b) the Offer Price having been duly agreed between us and the Joint Bookrunners (for themselves and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on the Price Determination Date; and

STRUCTURE OF THE GLOBAL OFFERING

- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than 18 July 2014 (*i.e.*, the 30th day after the date of this prospectus).

If, for any reason, the Offer Price is not agreed between our Company and the Joint Bookrunners (for themselves and on behalf of the Underwriters) on or before 27 June 2014, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Placing is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.ourgame.com on the next Business Day following such lapse. In such event, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — Dispatch/Collection of Share Certificates and Refund Monies”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on 30 June 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on 30 June 2014.

The Shares will be traded in board lots of 1,000 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Placing Shares.

To apply for Hong Kong Offer Shares, you may:

- use a WHITE or YELLOW Application Form;
- apply online via the **White Form eIPO** service at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Bookrunners, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a WHITE or YELLOW Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** service, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorised officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Bookrunners may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate (as defined in the Listing Rules) of any of the above;
- a connected person (as defined in the Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and
- have been allocated or have applied for any International Placing Shares or otherwise participate in the International Placing.

HOW TO APPLY FOR HONG KONG OFFER SHARES

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a WHITE Application Form or apply online through www.eipo.com.hk.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a YELLOW Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a WHITE Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 18 June 2014 until 12:00 noon on Monday, 23 June 2014 from:

- (a) any of the following offices of the Joint Bookrunners:

Jefferies Hong Kong Limited

22/F, Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

China International Capital Corporation Hong Kong Securities Limited

29th Floor, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

- (b) any of the branches of the following receiving bank:

Wing Lung Bank Limited

	Branch	Address
Hong Kong Island	Head Office	45 Des Voeux Road Central
	Johnston Road Branch	118 Johnston Road
	Kennedy Town Branch	28 Catchick Street
	North Point Branch	361 King's Road
Kowloon	Mongkok Branch	B/F Wing Lung Bank Centre, 636 Nathan Road
New Territories	Shatin Plaza Branch	21 Shatin Centre Street
	Tsuen Wan Branch	251 Sha Tsui Road
	Yuen Long Branch	37 On Ning Road

HOW TO APPLY FOR HONG KONG OFFER SHARES

You can collect a YELLOW Application Form and a prospectus during normal business hours from 9:00 a.m. on Wednesday, 18 June 2014 until 12:00 noon on Monday, 23 June 2014 from:

- the Depository Counter of HKSCC at 2nd Floor, Infinitus Plaza, 199 Des Voeux Road Central, Hong Kong; or
- your stockbroker.

Time for Lodging Application Forms

Your completed WHITE or YELLOW Application Form, together with a cheque or a banker's cashier order attached and marked payable to Wing Lung Bank (Nominees) Limited — Ourgame International Public Offer for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Wednesday, 18 June 2014 – 9:00 a.m. to 5:00 p.m.
- Thursday, 19 June 2014 – 9:00 a.m. to 5:00 p.m.
- Friday, 20 June 2014 – 9:00 a.m. to 5:00 p.m.
- Saturday, 21 June 2014 – 9:00 a.m. to 1:00 p.m.
- Monday, 23 June 2014 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Monday, 23 June 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- undertake to execute all relevant documents and instruct and authorise the Company and/or the Joint Bookrunners (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;
- agree to comply with the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- agree that none of the Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing nor participated in the International Placing;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorise the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;
- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC; and (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for Yellow Application Form

You may refer to the Yellow Application Form for details.

HOW TO APPLY FOR HONG KONG OFFER SHARES

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria “— Who can apply” section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorise the **White Form eIPO** service to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Wednesday, 18 June 2014 until 11:30 a.m. on Monday, 23 June 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Monday, 23 June 2014 or such later time under the “— Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO** Service, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** Service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated White Form eIPO Service Provider, will contribute HK\$2 per each “**OURGAME INTERNATIONAL HOLDINGS LIMITED**” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

HOW TO APPLY FOR HONG KONG OFFER SHARES

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling 2979 7888 or through the CCASS Internet System <https://ip.ccass.com> (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited

Customer Service Center
2nd Floor, Infinitus Plaza
199 Des Voeux Road Central
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorised HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Bookrunners and our Hong Kong Share Registrar.

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the WHITE Application Form or this prospectus;
- (b) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Placing;
 - (if the electronic application instructions are given for your benefit) declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorised to give those instructions as their agent;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- confirm that you understand that the Company, the Directors and the Joint Bookrunners will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorise the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
- agree that none of the Company, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
- agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Bookrunners, the Underwriters and/or its respective advisers and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorised HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorised HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and
- instructed and authorised HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the WHITE Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Wednesday, 18 June 2014 – 9:00 a.m. to 8:30 p.m.⁽¹⁾
- Thursday, 19 June 2014 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Friday, 20 June 2014 – 8:00 a.m. to 8:30 p.m.⁽¹⁾
- Saturday, 21 June 2014 – 8:00 a.m. to 1:00 p.m.⁽¹⁾
- Monday, 23 June 2014 – 8:00 a.m.⁽¹⁾ to 12:00 noon

Note:

- (1) These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Wednesday, 18 June 2014 until 12:00 noon on Monday, 23 June 2014 (24 hours daily, except on the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Monday, 23 June 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced

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by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Bookrunners, the Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Sole Sponsor, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a WHITE or YELLOW Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Monday, 23 June 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a WHITE or YELLOW Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** service, is made

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for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The WHITE and YELLOW Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a WHITE or YELLOW Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 1,000 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at www.eipo.com.hk.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation”.

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Monday, 23 June 2014, Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Monday, 23 June 2014, or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

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11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Placing, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Friday, 27 June 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company's website at www.ourgame.com and the website of the Stock Exchange at www.hkexnews.hk.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company's website at www.ourgame.com and the Stock Exchange's website at www.hkexnews.hk by no later than 8:00 a.m. Friday, 27 June 2014;
- from the designated results of allocations website at www.iporesults.com.hk with a "search by ID" function on a 24-hour basis from 8:00 a.m. on 12:00 mid-night, Friday, 27 June 2014 to 12:00 midnight on Thursday, 3 July 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Friday, 27 June 2014 to Monday, 30 June 2014;
- in the special allocation results booklets which will be available for inspection during opening hours on Friday, 27 June 2014, Saturday, 28 June 2014 and Monday, 30 June 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed "Structure of the Global Offering".

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person's responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not

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confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Bookrunners, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Listing Committee of the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Placing Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Bookrunners believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$4.80 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with section headed "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion

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thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Friday, 27 June 2014.

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on YELLOW Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for YELLOW Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed "Account Payee Only" in favour of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Friday, 27 June 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. Monday, 30 June 2014 provided that the Global Offering has become unconditional and the right of termination described in the "Underwriting" section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Friday, 27 June 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorise any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorised

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representative must bear a letter of authorisation from your corporation stamped with your corporation's chop. Both individuals and authorised representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Friday, 27 June 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Friday, 27 June 2014, by ordinary post and at your own risk.

If you apply by using a YELLOW Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Friday, 27 June 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

• **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Public Offering shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Public Offering shares allotted to you with that CCASS participant.

• **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in the paragraph headed "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 27 June 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO service

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Friday, 27 June 2014, or such other date as notified by the Company in the newspapers as the date of dispatch/collection of Share certificates/ e-Refund payment instructions/refund cheques.

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

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If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Friday, 27 June 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Friday, 27 June 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in the paragraph headed "Publication of Results" above on Friday, 27 June 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Friday, 27 June 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Friday, 27 June 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.
- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Friday, 27 June 2014.

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15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sole Sponsor pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



18 June 2014

The Directors
Ourgame International Holdings Limited

Jefferies Hong Kong Limited

Dear Sirs,

We report on the financial information of Ourgame International Holdings Limited (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated statements of financial position as at 31 December 2011, 2012 and 2013 and 31 March 2014, the statements of financial position of the Company as at 31 December 2013 and 31 March 2014, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated 18 June 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on 4 December 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. Pursuant to a group reorganization as described in Note 1.2 of Section II headed "History and reorganization of the Group" below, which was completed on 28 January 2014, the Company became the holding company of the subsidiaries now comprising the Group (the "Reorganization").

As at the date of this report, the Company has direct and indirect interests in the subsidiaries and an associate as set out in Note 1.2 and Note 19 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is newly incorporated and it has not involved in any significant business transactions since its date of incorporation, other than the Reorganization. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that give a true and fair view in accordance with IFRSs. We have audited the Underlying Financial Statements in accordance with International Standards on Auditing (the "ISAs") issued by the International Auditing and Assurance Standards Board ("IAASB") pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors' responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant's responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company as at 31 December 2013 and 31 March 2014 and of the state of affairs of the Group as at 31 December 2011, 2012 and 2013 and 31 March 2014 and of the Group's results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the three months ended 31 March 2013 and a summary of significant accounting policies and other explanatory information (the "Stub Period Comparative Financial Information").

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I. FINANCIAL INFORMATION

The following is the financial information of the Group prepared by the directors of the Company as at 31 December 2011, 2012 and 2013 and 31 March 2014 and for each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 (the "Financial Information").

(A) CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Notes	Year ended 31 December			Three months ended 31 March	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Revenue	4	153,948	205,810	236,300	46,202	92,989
Cost of revenue		(46,546)	(55,283)	(79,803)	(14,486)	(31,104)
Gross profit		107,402	150,527	156,497	31,716	61,885
Other income	5	5,703	3,144	4,649	112	471
Selling and marketing expenses		(29,109)	(45,971)	(45,476)	(11,268)	(10,924)
Administrative expenses		(25,458)	(29,895)	(34,714)	(8,074)	(15,632)
Share-based compensation expense	25	—	(1,049)	(490)	(440)	(3,056)
Research and development expenses		(27,365)	(39,591)	(35,699)	(9,866)	(7,833)
Finance costs	6	(128)	(2)	—	—	—
Profit before income tax		31,045	37,163	44,767	2,180	24,911
Income tax expense	7	(4,499)	(6,198)	(4,306)	(398)	(3,357)
Profit for the year/period	6	26,546	30,965	40,461	1,782	21,554
Other comprehensive income						
Items that may be subsequently reclassified to profit or loss:						
Currency translation differences		—	—	—	—	9
Total comprehensive income for the year/period		26,546	30,965	40,461	1,782	21,563
Profit for the year/period attributable to:						
Equity holders of the Company		20,988	29,291	35,052	1,613	21,552
Non-controlling interests		5,558	1,674	5,409	169	2
		26,546	30,965	40,461	1,782	21,554
Total comprehensive income for the year/period attributable to:						
Equity holders of the Company		20,988	29,291	35,052	1,613	21,561
Non-controlling interests		5,558	1,674	5,409	169	2
		26,546	30,965	40,461	1,782	21,563
Earnings per share for profit attributable to ordinary equity holders of the Company (expressed in RMB cents per share)						
Basic	9(a)	5.10	7.12	8.52	0.39	2.09
Diluted	9(b)	5.10	7.12	8.52	0.39	2.09
Earnings per share for profit attributable to Series A Preferred Shares holders of the Company (expressed in RMB cents per share)						
Basic	9(a)	—	—	—	—	13.19
Diluted	9(b)	—	—	—	—	13.19

(B) CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December			As at
		2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
Non-current assets					
Property, plant and equipment	11	11,213	7,083	9,168	7,870
Intangible assets	13	10,952	24,822	43,318	43,398
Available-for-sale financial assets	18	—	5,000	—	—
Interest in an associate	19	—	—	7,000	7,000
Deferred tax assets	22	2,472	758	158	158
		<u>24,637</u>	<u>37,663</u>	<u>59,644</u>	<u>58,426</u>
Current assets					
Inventories	14	301	636	1,169	985
Trade and other receivables	15	22,214	21,927	58,467	74,219
Loans to shareholders	16	150	—	25,000	—
Amount due from former holding company	17	27,883	—	—	—
Available-for-sale financial assets	18	5,000	—	5,000	9,000
Bank balances and cash		31,681	95,587	58,716	95,069
		<u>87,229</u>	<u>118,150</u>	<u>148,352</u>	<u>179,273</u>
Current liabilities					
Trade and other payables	20	24,149	24,515	27,829	33,221
Deferred revenue	21	24,953	20,720	29,467	28,179
Income tax liabilities		214	2,374	1,484	3,069
		<u>49,316</u>	<u>47,609</u>	<u>58,780</u>	<u>64,469</u>
Net current assets		<u>37,913</u>	<u>70,541</u>	<u>89,572</u>	<u>114,804</u>
Total assets less current liabilities		<u>62,550</u>	<u>108,204</u>	<u>149,216</u>	<u>173,230</u>
EQUITY					
Paid-in/share capital	23	10,000	62,640	72,061	85
Reserves	24	52,550	27,820	77,067	173,055
Equity attributable to equity holders of the Company		62,550	90,460	149,128	173,140
Non-controlling interests		—	17,744	88	90
Total equity		<u>62,550</u>	<u>108,204</u>	<u>149,216</u>	<u>173,230</u>

(C) STATEMENTS OF FINANCIAL POSITION OF THE COMPANY

	Notes	As at 31 December 2013 RMB'000	As at 31 March 2014 RMB'000
Non-current assets			
Interests in subsidiaries	12	—	422
Current assets			
Other receivables	15	772	3,814
Bank balances		—	2,566
		<u>772</u>	<u>6,380</u>
Current liabilities			
Other payables	20	2,069	10,387
Net current liabilities		<u>(1,297)</u>	<u>(4,007)</u>
Total assets less current liabilities		<u>(1,297)</u>	<u>(3,585)</u>
EQUITY			
Share capital	23	61	85
Reserves	24	(1,358)	(3,670)
Total equity		<u>(1,297)</u>	<u>(3,585)</u>

(D) CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Equity attributable to equity holders of the Company									
	Paid-in/ share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January										
2011	6,488	—	4,866	—	—	2,283	9,723	23,360	12,644	36,004
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	—	20,988	20,988	5,558	26,546
Transactions with owners										
Acquisition of additional interest in subsidiaries by equity holders of the Company (Note 23(ii))	3,512	—	—	—	—	14,690	—	18,202	(18,202)	—
Merge of a subsidiary (Note 27(ii))	—	—	—	—	—	7,106	(7,106)	—	—	—
Total transactions with owners	3,512	—	—	—	—	21,796	(7,106)	18,202	(18,202)	—
Balance at 31 December 2011 and at 1 January 2012	10,000	—	4,866	—	—	24,079	23,605	62,550	—	62,550
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	—	29,291	29,291	1,674	30,965
Transactions with owners										
Capital contribution by equity holders of the Company (Note 23(iii))	1,111	6,389	—	—	—	—	—	7,500	—	7,500
Capital contribution by a non-controlling equity holder (Note 23(iii))	—	—	—	—	—	19,070	—	19,070	15,090	34,160
Capital contribution from non-controlling equity holder of a subsidiary (Note 23(iii))	—	—	—	—	—	—	—	—	980	980
Share-based compensation (Note 25)	—	—	—	—	—	1,049	—	1,049	—	1,049
Capitalization (Note 23(iv))	51,529	(5,123)	(4,866)	—	—	(34,540)	(7,000)	—	—	—
Appropriation to statutory reserve	—	—	2,065	—	—	—	(2,065)	—	—	—
Dividends paid (Note 8)	—	—	—	—	—	—	(29,000)	(29,000)	—	(29,000)
Total transactions with owners	52,640	1,266	(2,801)	—	—	(14,421)	(38,065)	(1,381)	16,070	14,689
Balance at 31 December 2012	62,640	1,266	2,065	—	—	9,658	14,831	90,460	17,744	108,204

	Equity attributable to equity holders of the Company									
	Paid-in/ share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Translation reserve RMB'000	Share option reserve RMB'000	Other reserve RMB'000	Accumulated profits RMB'000	Sub-total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January										
2013	62,640	1,266	2,065	—	—	9,658	14,831	90,460	17,744	108,204
Total comprehensive income for the year										
Profit for the year	—	—	—	—	—	—	35,052	35,052	5,409	40,461
Transactions with owners										
Shares issued on incorporation of the Company (Note 23(vii))	61	—	—	—	—	—	—	61	—	61
Share-based compensation (Note 25)	—	—	—	—	—	490	—	490	—	490
Appropriation to statutory reserve	—	—	4,075	—	—	—	(4,075)	—	—	—
Acquisition of additional interest in subsidiaries by equity holders of the Company (Note 23(v))	9,360	—	—	—	—	13,705	—	23,065	(23,065)	—
Total transactions with owners	9,421	—	4,075	—	—	14,195	(4,075)	23,616	(23,065)	551
Balance at 31 December 2013 and 1 January 2014	72,061	1,266	6,140	—	—	23,853	45,808	149,128	88	149,216
Total comprehensive income for the period										
Profit for the period	—	—	—	—	—	—	21,552	21,552	2	21,554
Other comprehensive income for the period										
Currency translation differences	—	—	—	9	—	—	—	9	—	9
	—	—	—	9	—	—	21,552	21,561	2	21,563
Transactions with owners										
Issuance of Series A Preferred Shares (Note 23(ix))	24	299,976	—	—	—	—	—	300,000	—	300,000
Share issuance expenses	—	(607)	—	—	—	—	—	(607)	—	(607)
Share-based compensation (Note 25)	—	—	—	—	2,524	532	—	3,056	—	3,056
Appropriation to statutory reserve	—	—	2,851	—	—	—	(2,851)	—	—	—
Reorganization (Note 23(vi))	(72,000)	(1,266)	—	—	—	73,266	—	—	—	—
Dividends paid (Note 8)	—	(296,498)	—	—	—	—	(3,500)	(299,998)	—	(299,998)
Total transactions with owners	(71,976)	1,605	2,851	—	2,524	73,798	(6,351)	2,451	—	2,451
Balance at 31 March 2014	85	2,871	8,991	9	2,524	97,651	61,009	173,140	90	173,230

	Equity attributable to equity holders of the Company								Non-controlling interests	Total equity
	Paid-in/ share capital	Share premium	Statutory reserve	Translation reserve	Share option reserve	Other reserve	Accumulated profits	Sub-total		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)										
Balance at 1 January										
2013	62,640	1,266	2,065	—	—	9,658	14,831	90,460	17,744	108,204
Total comprehensive income for the period										
Profit for the period	—	—	—	—	—	—	1,613	1,613	169	1,782
Transactions with owners										
Share-based compensation (Note 25)	—	—	—	—	—	440	—	440	—	440
Appropriation to statutory reserve	—	—	220	—	—	—	(220)	—	—	—
Total transactions with owners	—	—	220	—	—	440	(220)	440	—	440
Balance at 31 March										
2013	62,640	1,266	2,285	—	—	10,098	16,224	92,513	17,913	110,426

(E) CONSOLIDATED STATEMENTS OF CASH FLOWS

Notes	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Cash flows from operating activities					
Profit before income tax	31,045	37,163	44,767	2,180	24,911
Adjustments for:					
Depreciation of property, plant and equipment	8,964	7,028	5,318	1,067	1,536
Amortisation of intangible assets	1,077	3,584	9,505	2,009	2,934
Interest income	(184)	(670)	(989)	(101)	(103)
Finance costs	128	2	—	—	—
Provision for doubtful trade and other receivables	1,045	1,232	—	—	—
Loss/(Gain) on disposal of property, plant and equipment	174	821	(149)	(11)	—
Share-based compensation expense	—	1,049	490	440	3,056
Currency translation adjustment	—	—	—	—	16
Operating profit before working capital changes	42,249	50,209	58,942	5,584	32,350
(Increase)/Decrease in inventories	(261)	(335)	(533)	(33)	184
Increase in trade and other receivables	(4,239)	(3,463)	(36,479)	(13,620)	(14,073)
(Decrease)/Increase in trade and other payables	(13,002)	366	3,314	(1,759)	5,381
Increase/(Decrease) in deferred revenue	3,965	(4,233)	8,747	1,778	(1,288)
Cash generated from/(used in) operations	28,712	42,544	33,991	(8,050)	22,554
Interest received	166	688	989	101	103
Income tax paid	(100)	(2,324)	(4,596)	(2,528)	(1,772)
Net cash from/(used in) operating activities	28,778	40,908	30,384	(10,477)	20,885
Cash flows from investing activities					
Purchase of property, plant and equipment	(6,931)	(3,727)	(7,405)	(2,588)	(238)
Purchase of intangible assets	(3,448)	(5,031)	(15,618)	(5,650)	—
Addition in development costs through internal development	(6,388)	(9,923)	(12,383)	(2,949)	(3,014)
Purchase of available-for-sale financial assets	(5,000)	(5,000)	(7,000)	—	(4,000)
Proceed from disposal of available-for-sale financial assets	—	5,000	—	—	—
(Addition)/Repayment in loans to shareholders	(46)	150	(25,000)	—	25,000
Proceeds from disposal of property, plant and equipment	98	8	151	11	—
Net cash (used in)/from investing activities	(21,715)	(18,523)	(67,255)	(11,176)	17,748
Cash flows from financing activities					
Dividends paid	—	(29,000)	—	—	(299,998)
Interest paid	(240)	(2)	—	—	—
Proceeds from issuance of Series A Preferred Shares	23	—	—	—	300,000
Share issuance expenses	—	—	—	—	(607)
Payment for deferred IPO costs	—	—	—	—	(1,675)
Capital injection by equity holders of the Company and non-controlling equity holders	23	42,640	—	—	—
Repayment of bank borrowings	(20,000)	—	—	—	—
Repayment to former fellow subsidiaries	(2,776)	—	—	—	—
Repayment received from former holding company	—	27,883	—	—	—
Net cash (used in)/from financing activities	(23,016)	41,521	—	—	(2,280)
Net (decrease)/increase in cash and cash equivalents	(15,953)	63,906	(36,871)	(21,653)	36,353
Cash and cash equivalents at beginning of year/period	47,634	31,681	95,587	95,587	58,716
Cash and cash equivalents at end of year/period, represented by bank balances and cash	31,681	95,587	58,716	73,934	95,069

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL INFORMATION, HISTORY AND REORGANIZATION****1.1 General information**

Ourgame International Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 4 December 2013 as an exempted company with limited liability under the Companies Law (2013 Revision) of the Cayman Islands. The address of the Company’s registered office is Ugland House, P.O. Box 309, Grand Cayman KY1-1104, South Church Street, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the “Group”) are principally engaged in the development and operation of online card and board games (the “Listing Business”) in the People’s Republic of China (the “PRC”).

The Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

1.2 History and reorganization of the Group

Prior to the incorporation of the Company and completion of the group reorganization (as explained below), the Listing Business was carried out through Beijing Lianzhong Co., Ltd. (北京聯眾互動網絡股份有限公司, “Lianzhong”) (Formerly known as Beijing Lianzhong Computer Technology Co., Ltd. (北京聯眾電腦技術有限責任公司)), a company incorporated in the PRC on 23 March 1998, and its subsidiaries (collectively, the “Lianzhong Group”).

Before the acquisition by Mr Zhang Rongming (張榮明), Mr Liu Jiang (劉江), Mr Shen Dongri (申東日) and Ms Long Qi (龍奇) (the “Controlling Shareholders”) in 2010, Lianzhong was directly held by Haihong Holdings Limited (海虹企業(控股)股份有限公司, “Haihong”) and Mr Bao Yueqiao (鮑嶽橋). In December 2010, Wildwolf Investment Consultant Limited (北京偉德沃富投資顧問有限公司, “Wildwolf”), a company incorporated in the PRC and controlled by the Controlling Shareholders, has completed the acquisition of 21.7% and 46.49% in Lianzhong from Haihong and Mr Bao Yueqiao. After the transfer, Wildwolf became the largest shareholder of Lianzhong owning 68.19% of its equity interest, with the remainder of 28.3% and 3.51% held by Haihong and Mr Bao Yueqiao respectively. As at the date of the above acquisition by Wildwolf and as at 31 December 2010, Mr Zhang Rongming, Mr Liu Jiang, Mr Shen Dongri (through his spouse, Ms Weng Jie (翁潔)), Ms Long Qi (through her spouse, Mr Xu Jianping (徐建平)), Mr Li Jianhua (李建華), Ms Wu Lan (烏蘭), Ms Ye Min (葉敏) and Ms Wang Xiao (王曉) held 24.32%, 30.41%, 15.20%, 9.12%, 9.73%, 1.22%, 5.50% and 4.50% of the equity interest in Wildwolf, respectively. Ms Weng Jie and Mr Xu Jianping have each signed written confirmations that their equity interests in Wildwolf were held for the benefit of their respective spouses, Mr Shen Dongri and Ms Long Qi. Therefore, the Controlling Shareholders collectively owned 79.05% equity interest in Wildwolf and thereby obtained the control of Lianzhong Group through its controlling interest in Wildwolf.

In June 2011, Wildwolf has completed a further acquisition of 28.30% from Haihong, and increasing its interest in Lianzhong to 96.49% of its equity interest, with the remainder held by Mr Bao Yueqiao.

The shareholding in Lianzhong through Wildwolf was a transitory arrangement prior to the transfer, as confirmed by all the shareholders of Wildwolf. Therefore Wildwolf has transferred its entire equity interest in Lianzhong to its shareholders in proportion to their respective shareholding interests in Wildwolf, at an aggregate consideration of RMB58,713,000 in January 2012. Before that, during 2011, Ms Ye Min and Ms Wang Xiao have transferred their equity interest in Wildwolf to Mr Bao Yueqiao and Ms Wu Lan. On completion of such transfer, the Controlling Shareholders collectively and directly owned 76.28% equity interest in Lianzhong, with the remainder held by Mr Li Jianhua, Mr Bao Yueqiao

and Beijing Yile Shenglian Corporate Management Services Company Limited (北京億樂升聯企業管理服務有限公司) (“Yile Shenglian”), a company wholly owned and controlled by Ms Wu Lan.

As described in Note 23(iii) below, in 2012, Beijing Tongshengcheng Investment Management Center (LLP) (北京同盛成投資管理中心(有限合夥), “Tongshengcheng”), a limited partnership in the PRC which is controlled by Mr Zhang Rongming and Mr Li Jianhua since incorporation, made an additional capital injection into Lianzhong. And Suzhou Hongda Jiuding Venture Investment Center (LLP) (蘇州宏達九鼎創業投資中心(有限合夥), “Jiuding”) also has made an additional capital injection into Lianzhong in 2012. As a result of the above additional capital injections by Tongshengcheng and Jiuding, the Controlling Shareholders’ interest was diluted and they collectively owned 59.72% equity interest in Lianzhong as at 31 December 2012, with the remaining interest of 7.35%, 6.53%, 4.7%, 8.7% and 13%, held by Mr Li Jianhua, Mr Bao Yueqiao, Yile Shenglian, Tongshengcheng and Jiuding respectively.

As part of the Reorganization as described below, on 30 December 2013, Jiuding transferred their entire 13% equity interests in Lianzhong to the Controlling Shareholders, Mr Li Jianhua, Mr Bao Yueqiao and Yile Shenglian. After the transfer and on the same date, Mr Li Jianhua and Tongshengcheng transferred their entire then equity interests in Lianzhong to certain Controlling Shareholders and Yile Shenglian transferred its entire equity interest in Lianzhong to Ms Wu Lan. As a result, as at 31 December 2013, the Controlling Shareholders collectively owned 86.92% equity interest in Lianzhong, with the remaining interest of 7.61% and 5.47% held by Mr Bao Yueqiao and Ms Wu Lan, respectively. Therefore, the Listing Business and Lianzhong Group were collectively controlled by the Controlling Shareholders throughout the Relevant Periods.

Mr Li Jianhua and Tongshengcheng have confirmed that they had acted in concert with the Controlling Shareholders in respect of their interests in Lianzhong between their acquisition of their equity interests (as detailed above) to the date of their disposal. For the purpose of this report, Haihong, Ms Ye Min (through shareholding in Wildwolf), Ms Wang Xiao (through shareholding in Wildwolf) and Jiuding are treated as non-controlling equity holders of the Group for the Relevant Periods.

In preparation for a listing of the Company’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”), the Group underwent a reorganization (the “Reorganization”), pursuant to which the beneficial interests in the companies engaged in the Listing Business were transferred to the Company. The Reorganization involved the following:

- (i) On 4 December 2013, the Company was incorporated by Mr Zhang Rongming, Mr Liu Jiang, Mr Shen Dongri, Ms Long Qi, Mr Bao Yueqiao and Ms Wu Lan, through their respective wholly-owned offshore investment holding companies outside of the PRC, namely Elite Vessels Limited, Sonic Force Limited*, Blink Milestones Limited* (“Blink Milestones”), Prosper Macrocosm Limited, Golden Liberator Limited, Iconic Ocean Limited and Celestial Radiant Limited (the “Shareholders’ Companies”). The then authorised share capital of the Company was US\$50,000, consisting of 50,000 ordinary shares of US\$1 each. On incorporation, 10,000 ordinary shares were issued at par to the Shareholders’ Companies. The share capital of the Company was initially beneficially owned by Mr Zhang Rongming as to 30%, Mr Liu Jiang as to 35.49%, Mr Shen Dongri as to 16.07%, Ms Long Qi as to 5.36%, Mr Bao Yueqiao as to 7.61% and Ms Wu Lan as to 5.47% through the Shareholders’ Companies.

* *Sonic Force Limited and Blink Milestones Limited are both companies wholly owned by Mr Liu Jiang.*

- (ii) On 18 December 2013, Lianzhong Holdings (Hong Kong) Limited (聯眾控股(香港)有限公司, “Lianzhong Hong Kong”) was incorporated in Hong Kong as a wholly owned subsidiary of the Company.

- (iii) On 30 December 2013, Tongshengcheng transferred its entire 8.7% equity interest in Lianzhong to Mr Liu Jiang.
- (iv) On 30 December 2013, Jiuding transferred its entire 13% equity interest in Lianzhong to Mr Zhang Rongming, Mr Liu Jiang, Mr Shen Dongri, Ms Long Qi, Mr Li Jianhua, Mr Bao Yueqiao and Yile Shenglian proportional to their then existing shareholdings in Lianzhong respectively, at a total consideration of RMB34,160,000 determined after arm's length negotiations. On the same date, Mr Li Jianhua transferred his entire 8.57% equity interest in Lianzhong (7.35% of which was held by Mr Li Jianhua prior to 30 December 2013 and 1.22% of which was acquired by Mr Li Jianhua from Jiuding on 30 December 2013) to Mr Zhang Rongming at a consideration of approximately RMB12,084,000 and Yile Shenglian transferred its entire 5.47% equity interest in Lianzhong (4.7% of which was held by Yile Shenglian prior to 30 December 2013 and 0.78% of which was acquired by Yile Shenglian from Jiuding on 30 December 2013) to Ms Wu Lan at a total consideration of approximately RMB5,699,000.
- (v) On 21 January 2014, Beijing Lianzhong Garden Network Technology Co., Ltd. (北京聯眾家園網絡科技有限責任公司) ("WFOE") was established in the PRC as a wholly foreign owned enterprise of Lianzhong Hong Kong.
- (vi) Pursuant to a series of contractual agreements signed on 28 January 2014 (the "Contractual Arrangements") among WFOE, Lianzhong and their respective equity holders, WFOE acquired effective control over the financial and operational policies of Lianzhong Group and became entitled to economic benefits generated by these entities. Accordingly, Lianzhong Group became the subsidiaries of WFOE. Further details of the Contractual Arrangements are set out in Note 2.2(a)(i) below. Upon the completion of the Reorganization, the Company became the holding company of the Group.

Upon completion of the Reorganization and as at the date of this report, the Company had direct or indirect interest in the following subsidiaries:

<u>Name of company</u>	<u>Country/ Place and date of incorporation/ establishment</u>	<u>Issued and paid in capital/ registered capital</u>	<u>Equity interest held</u>	<u>Principal activities and place of operation</u>	<u>Note</u>
Directly held by the Company					
Lianzhong Hong Kong	Hong Kong/ 18 December 2013	HK\$100	100%	Investment holding	(a)
Indirectly held by the Company					
WFOE	PRC/ 21 January 2014	US\$350,000	100%	Provision of computer related technical support, in PRC	(a)
Lianzhong	PRC/ 23 March 1998	RMB72,000,000	100%	Development and operation of online card and board games, in PRC	(b)
Shanghai Yaozhong Culture Broadcast Co., Ltd. (上海姚眾互動文化傳播有限責任公司) (Formerly known as Beijing Yaolian Interactive Culture Broadcasting Co., Ltd. 北京姚眾互動文化傳播有限責任公司)	PRC/ 6 July 2012	RMB2,000,000	51%	Provision of cultural events organisation and consulting services, in PRC	(c)
Lianzhong International Company Limited (聯眾國際有限公司)	BVI/ 11 July 2011	US\$1,780,000	100%	Provision of advisory services, in BVI	(a)
Lianzhong Treasury Land Co., Ltd. (聯眾寶島有限公司) (Formerly known as Lianzhong Taiwan Company Limited 聯眾台灣有限公司)	BVI/ 29 June 2012	US\$100	100%	Inactive	(a)
Shanghai Lianzhong Garden Computer Technology Co., Ltd. (上海聯眾家園電腦技術有限責任公司)	PRC/ 23 October 2013	RMB10,000,000	100%	Provision of computer related technical support, in PRC	(a)
Nanjing Shouyou Interactive Network Co., Ltd. (南京首游互動網絡有限公司)	PRC/ 24 February 2014	RMB5,000,000	100%	Mobile games operation, in PRC	(a)
Tianjin Zhangzhongshangku Technology Co., Ltd. (天津掌中尚酷科技有限公司)	PRC/ 9 April 2014	RMB1,000,000	100%	Mobile games development and operation, in PRC	(a)
Tianjin Wanlianshifang Technology Co., Ltd. (天津萬聯十方科技有限公司)	PRC/ 9 April 2014	RMB1,000,000	100%	Mobile games development and operation, in PRC	(a)

Notes:

- (a) No audited financial statements were issued for these companies as they were newly incorporated or not required to issue audited financial statements under the statutory requirements of their respective places of incorporation.
- (b) On 22 August 2012, the name of the company was changed from Beijing Lianzhong Computer Technology Co., Ltd (北京聯眾電腦技術有限責任公司) to Lianzhong. The statutory financial statements of Lianzhong for the years ended 31 December 2011, 2012 and 2013 were audited by 京都天華會計師事務所有限公司 (Grant Thornton), 立信會計師事務所(特殊普通合夥) and 致同會計師事務所(特殊普通合夥) (Grant Thornton LLP) respectively.
- (c) On 18 February 2014, the name of the company was changed from Beijing Yaolian Culture Broadcast Co., Ltd. to Shanghai Yaozhong Culture Broadcast Co., Ltd. ("Shanghai Yaozhong"). The statutory financial statements of Shanghai Yaozhong for the period from 6 July 2012 (date of incorporation) to 31 December 2012 and for the year ended 31 December 2013 were audited by Shanghai Shangkuai Certified Public Accountants Beijing Branch (上海上會會計師事務所有限公司北京分所).

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

All companies comprising the Group have adopted 31 December as their financial year end date.

The Group's major subsidiaries are based in the PRC and majority of their transactions are denominated in RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. As of 31 December 2011, 2012 and 2013 and 31 March 2014, other than the restriction from exchange control regulations, there is no significant restriction on the Group.

1.3 Basis of presentation

Immediately prior to and after the Reorganization, the Listing Business was carried out by the Lianzhong Group which were under the control of the Controlling Shareholders. Pursuant to the Reorganization, both the Lianzhong Group and the Listing Business are put under the effective control of WFOE, and ultimately the Company, through the Contractual Arrangements.

The Company has not been involved in any other business prior to the Reorganization and its operations do not meet the definition of a business. The Reorganization is merely a reorganization of the Listing Business and does not result in any changes in business substance, nor in any management or Controlling Shareholders of the Listing Business, before and after the Reorganization. Accordingly, the Financial Information of the companies now comprising the Group is presented using the carrying values of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards ("IFRSs"). The Financial Information has been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies of the Group. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 3 below.

All new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2014 are consistently applied to the Group for the Relevant Periods.

The following new standard has been issued but are not effective for the financial year beginning 1 January 2014 that are relevant to the operations of the Group but have not been early adopted.

IFRS 9, "Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the

parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the profit or loss, unless this creates an accounting mismatch. The effective date of the above new standard is left open pending the finalisation of the impairment and classification and measurement requirements. The Group is in the process of making an assessment of the impact of this new standard on the financial statements of the Group in its initial application.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including special purpose entities) controlled by the Group. The Group controls the entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) *Subsidiaries arising from Reorganization*

The wholly-owned subsidiary, WFOE, has entered into Contractual Arrangements with Lianzhong and their respective equity holders, which enable WFOE and the Group to:

- exercise effective financial and operational control over Lianzhong;
- exercise equity holders' voting rights of Lianzhong;
- receive substantially all of the economic interest returns generated by Lianzhong and its subsidiaries in consideration for the business support, technical and consulting services provided by WFOE, at WFOE's discretion;
- obtain an irrevocable and exclusive right to purchase all or part of equity interest in and/or assets of Lianzhong from the respective equity holders at a minimum purchase price permitted under the PRC laws and regulations. WFOE may exercise such options at any time until it has acquired all equity interests and/or all assets of Lianzhong;
- obtain a pledge over the entire equity interest of Lianzhong from their respective equity holders as collateral security for all of Lianzhong's payments due to WFOE and to secure performance of Lianzhong's obligations under the Contractual Arrangements.

The Group does not have any equity interest in Lianzhong and its subsidiaries. However, as a result of the Contractual Arrangements, the Group has rights to variable returns from its involvement with Lianzhong and has the ability to affect those returns through its power over Lianzhong and is considered to control Lianzhong and hence the Lianzhong Group. Consequently, the Company regards the Lianzhong Group as indirect subsidiaries under IFRSs. The Group has consolidated the financial position and results of the Lianzhong Group in the consolidated financial statements of the

Group during the Relevant Periods. Please refer to Note 1.3 for details of the related presentation basis.

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over the Lianzhong Group and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of the Lianzhong Group. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among WFOE, Lianzhong and their respective equity holders are in compliance with relevant PRC laws and regulations and are legally enforceable.

(ii) Subsidiaries other than from Reorganization

Except for the Reorganization of which the accounting treatment is described in Note 2.2(a)(i) above, the Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

The Group's non-controlling interests mainly represent Haihong and Jiuding's share of interest in Lianzhong during the Relevant Periods. No summarised financial information about Lianzhong Group is presented as its inclusion, for the purpose of this report, is not considered meaningful due to substantially all the Group's financial information are from Lianzhong Group.

(b) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% to 50% of the voting rights. Investments in associates are accounting for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's

share of the profit or loss of the investee after the date of acquisition. The Group's investment in an associate includes goodwill identified on acquisition. Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the amount of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the associate acquired, the difference is recognised in profit or loss. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of loss in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further loss, unless it is incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises as administrative expenses in the consolidated statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Diluted gains and losses arising in investments in associates are recognised in the consolidated statements of comprehensive income.

(c) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying values of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(d) Separate financial statements

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the reporting date. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The functional currency of the Company is United States dollars (“USD”). The Company’s primary subsidiaries were incorporated in the PRC and these subsidiaries considered RMB as their functional currency. As the game development and operation of the Group during the Relevant Periods are within the PRC, the Group determined to present the Financial Information in RMB, unless otherwise stated.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statements of comprehensive income. Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive income.

(c) *Group companies*

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

2.4 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment loss. Cost includes expenditures that are directly attributable to the acquisition of the asset.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, as follows:

Leasehold improvements	Shorter of remaining term of the lease and the estimated useful lives of the assets
Computer equipment	3-5 years
Furniture and office equipment	3-5 years
Motor vehicle	5 years

The asset’s residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2.5 Intangible assets (other than goodwill)

(a) *Computer software*

Acquired computer software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over the shorter of their license periods or estimated useful lives (ranged from 1 to 5 years), and recorded as amortisation in the consolidated statements of comprehensive income.

(b) *Game intellectual properties, trademark and licenses*

Game intellectual properties, trademark and licenses are initially recorded at cost and include internally generated intangible assets (i.e. capitalised development costs as detailed in Note 2.5(c) below) that are available for use. These intangible assets are amortised on a straight-line basis over the shorter of their license periods or estimate useful lives (ranged from 2 to 10 years).

(c) *Research and development costs*

Costs associated with research activities are expensed in profit or loss as they occur. Costs that are directly attributable to development activities (relating to the design and testing of new or improved products) are recognised as intangible assets provided they meet the following recognition requirements:

- (i) demonstration of technical feasibility of the prospective product for internal use or sale;
- (ii) there is intention to complete the intangible asset and use or sell it;
- (iii) the Group's ability to use or sell the intangible asset is demonstrated;
- (iv) the intangible asset will generate probable economic benefits through internal use or sale;
- (v) sufficient technical, financial and other resources are available for completion; and
- (vi) the expenditure attributable to the intangible asset can be reliably measured.

Direct costs include employee costs incurred on development activities. The costs of development of internally generated software, products or knowhow that meet the above recognition criteria are recognised as intangible assets. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use on a straight-line basis over its useful lives (5 years).

All other development costs are expensed as incurred.

2.6 Financial assets

The Group's accounting policies for financial assets other than investments in subsidiaries and associates are set out below. Financial assets of the Group are classified into loans and receivables and available-for-sale financial assets. Management determines the classification of its financial assets at initial recognition

depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date (the date on which the Group commits to purchase or sell the asset). When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each reporting date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, an impairment loss is determined and recognised based on the classification of the financial asset.

(a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date, which are classified as non-current assets. Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

(b) *Available-for-sale financial assets*

Non-derivative financial assets that do not qualify for inclusion in any of the other categories of financial assets are classified as available-for-sale financial assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months after the reporting date.

All financial assets within this category are subsequently measured at fair value. Gain or loss arising from a change in the fair value excluding any dividend and interest income is recognised in other comprehensive income and accumulated separately in the revaluation reserve in equity, except for impairment losses (see the policy below) and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss is reclassified from equity to profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

Impairment of financial assets

At each reporting date, financial assets other than at fair value through profit or loss are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;

- it becoming probable that the debtor will enter bankruptcy or other financial reorganization;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor;
- the disappearance of an active market for that financial asset because of financial difficulties; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the Group and, national or local economic conditions that correlate with defaults on the assets in the Group.

If any such evidence exists, an impairment loss is measured and recognised as follows:

(a) *Financial assets carried at amortised cost*

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

(b) *Available-for-sale financial assets*

When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income and accumulated in equity and there is objective evidence that the asset is impaired, an amount is removed from equity and recognised in profit or loss as an impairment loss. That amount is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Reversals in respect of investment in equity instruments classified as available-for-sale and stated at fair value are not recognised in the profit or loss. The subsequent increase in fair value is recognised in other comprehensive income. Impairment losses in respect of debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversal of impairment losses in such circumstances are recognised in profit or loss.

(c) *Financial assets carried at cost*

The amount of impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Impairment losses on financial assets other than trade and other receivables that are stated at amortised cost, are written off against the corresponding assets directly. Where the recovery of trade and other receivables is considered doubtful but not remote, the impairment losses for doubtful receivables are recorded using an allowance account. When the Group is satisfied that recovery of trade and other receivables is remote, the amount considered irrecoverable is written off against trade and other receivables directly and any amounts held in the allowance account in respect of that receivable are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("FIFO") method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.8 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short-term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

2.9 Financial liabilities

The Group's financial liabilities included trade and other payables. Financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. All interest related charges are expensed when incurred. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.10 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(a) *Classification of assets leased to the Group*

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(b) *Operating lease charges as the lessee*

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets.

2.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued.

Preferred shares are classified as equity if it is non-redeemable and any dividends are discretionary. Dividends on preferred share capital classified as equity are recognised as distributions within equity.

Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.12 Revenue recognition

The Group is engaged in the development and operation of online card and board games that consist of PC and mobile games. Our games include self-developed games, licensed games and third-party operated games.

The Group's revenue is principally derived from the sale of in-game virtual goods. Revenue comprises the fair value of the consideration received or receivable for the sale of goods, net of related surcharges and discounts. Substantially all of the Group's games are free to play and players can pay for virtual goods for better in-game experience. Players purchase our universal virtual currency for PC games, Ourgame Coin, or our universal virtual currency for mobile games, Yuanbao (collectively, the "Virtual Currencies"), through third-party payment channels or the purchase of pre-paid game cards. The Virtual Currencies can be used to exchange for virtual goods such as personalised avatars and membership plans. Paying players usually exchange their Virtual Currencies for the virtual goods shortly after purchase. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised as follows:

(a) PC games**Self-developed games and licensed games**

The Group has an integrated online game platform with multiple distribution channels. The Group distributes locally installed PC games and provides services through our proprietary PC client portal, Ourgame Hall. The Group also offers web games playable on web pages served by the Group on ourgame.com and lianzhong.com and by third-party distribution channels, which include websites and web-based portals such as Baidu, Sina Weibo and Qihoo 360.

For self-developed games and licensed games, the Group is responsible for hosting the games, providing on-going updates of new contents, technical support for the operations of the games, as well as preventing, detecting and resolving in-game cheating and hacking activities. Third-party distribution and payment channels are responsible for distribution, marketing, platform maintenance, payer authentication and payment collections related to the games.

Third-party distribution channels and payment channels collect the payments from the paying players and remit the cash to the Group, net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and the third-party distribution or payment channels.

Upon the sales of Virtual Currencies, the Group typically has an implied obligation to provide the services which enable the virtual goods exchanged with the Virtual Currencies to be displayed or used in the games. As a result, the proceeds received from sales of Virtual Currencies are recorded as deferred revenue. With the pre-paid game cards, paying players can credit their user accounts with Virtual

Currencies and exchange for virtual goods in the same way. Proceeds received from the sale of pre-paid game cards are recorded as deferred revenue. The attributable portion of the deferred revenue relating to values of the virtual goods consumed are immediately or ratably recognised as revenue only when the services are rendered to the respective paying players.

For the purposes of determining when services have been provided to the respective paying players, the Group has determined the following:

- Consumable virtual goods represent items (i) that have a predetermined service period; or (ii) where no service is rendered by the Group for the virtual goods immediately after purchase by the paying players. Revenue is recognised (as a release from deferred revenue) when the goods are consumed and the related services are rendered, or ratably over the predetermined service period of the respective consumable virtual goods.
- Durable virtual goods represent items that have no predetermined service period and are accessible and beneficial to paying players over an extended period of time. Revenue is recognised ratably over the expected life of the respective durable virtual goods (“Player Relationship Period”).

For self-developed games and licensed games, the computer system of the Group captures all player data, such as log-in data, purchase and delivery records for the Virtual Currencies sold and the virtual goods exchanged with the Virtual Currencies. The Group estimates the Player Relationship Period based on an overall game by game basis and platform by platform basis and re-assesses such periods annually. If there are insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, the Group estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group mainly considers the paying players’ spending and consumption behaviour in estimating the Player Relationship Period, which typically represents the time interval between paying players’ consecutive recharges of their user accounts with additional Virtual Currencies and represents a reasonable estimate of the average expected life of the durable virtual items for the applicable game.

If the Group does not have the ability to differentiate revenue attributable to durable virtual goods from consumable virtual goods for a specific product, item or game, the Group recognizes revenue from both durable and consumable virtual goods ratably over the average life of the durable virtual products or goods, or over the Player Relationship Period.

For revenues relating to self-developed games and licensed games, the Group has evaluated the roles and responsibilities of the Group, the game license holders and the third-party distribution and payment channels in the delivery of game experience to the paying players and concluded the Group takes the primary responsibilities in rendering services. The Group is determined to be the primary obligor and, accordingly, the Group records revenue on a gross basis, and commission charges by game license holders and third-party distribution and payment channels are recorded as cost of revenue.

Third-party operated games

The Group also distributes games developed and operated by third-party developers on the Group’s own web proprietary platform including the Group’s client portal and websites. The Group’s revenue mainly consists of pre-determined portions of total player payments according to the relevant terms of the agreements entered into between the Group and the game developers.

The games distributed on the Group’s platform are hosted, maintained, operated and updated independently by the game developers, and the Group mainly provide players with access to the Group’s platform to download the third-party developers’ games and limited after-sale basic technical support to the paying players. The Group has evaluated and determined it is not the primary obligor in the services

rendered to the paying players as a platform. Accordingly, the Group records its revenue net of the portion of sharing of revenues with the game developers.

As the Group provides merely the first contact point by the players to gain access to download the third-party developers' games, the Group believes that its implied obligation to the game developers do not correspond to the game developers' implied obligation to provide the service which enables the virtual goods to be displayed and used in the games. Given that games are hosted, managed, administered and operated by the game developers, the Group does not have access to the data on the consumption details and the types of virtual goods purchased by the paying players. The Group only maintains individual paying player's purchase history of the Virtual Currencies which are used to exchange for virtual goods in the third-party operated games. As such, the Group has adopted a policy to recognise revenue when the paying players exchange the Virtual Currencies for consumable or durable virtual goods for the relevant games.

(b) Mobile games

The Group distributes mobile games and provides services mainly for Android and iOS operating systems through third-party distribution and payment channels, including mobile operators in the PRC ("Mobile Operators").

Self-developed games — Single player games

During the Relevant Periods, substantially all of the Group's mobile games are single player games or have single player modes ("Single Player Games"). Virtual goods of the Single Player Games are purchased when the players are online and can be consumed irrespective of whether or not they are connected to the internet. Only the purchase of such virtual goods requires connection to the internet. Once the players confirm their purchase requests via Mobile Operators' payment channels, the purchased virtual goods are automatically available in the downloaded game. Future play and use of the purchased virtual goods do not require internet connectivity or any involvement from the Group. Players do not need to connect to online servers to play the game or utilise the purchased virtual goods on their mobile devices and hence the Group has no obligation to deliver any further services to the paying players. As a result, all services are rendered immediately upon the sale and delivery of the virtual goods.

The gross revenue from mobile games includes provision for doubtful debts or bad debts as assessed by the Mobile Operators. For mobile games, the computer system of the Group captures limited data such as certain purchase and delivery records of the virtual goods. The Group contracts with the Mobile Operators which include billing and collection services. The Mobile Operators provides the Group with monthly statements that represent the principal evidence that virtual goods has been sold and delivered. The Mobile Operators remit to the Group only amounts net of channel commission charges and an allowance that Mobile Operators have made for the doubtful debts in respect of the amounts due to the Group from the paying players. The Mobile Operators do not provide an itemized analysis of their remittances and the usage of the virtual goods and the Group is therefore unable to determine what allowance, if any, for doubtful or bad debts should be recorded with respect to services delivered through them. As a result, based on the amounts reported on the Mobile Operator's monthly statements, which are net of doubtful debts and represent the amounts the Group reasonably believes will be collected, the Group records the gross proceeds (net of provision for doubtful debts) as revenue and the channel commission charges are recorded as cost of revenue.

Self-developed games with connected internet game play

For revenue derived from self-developed mobile games with connected internet game play, the Group follows the policies of PC games — "Self-developed games and licensed games" as the operations of the

two types of games are similar. The Virtual Currencies can be used to exchange for virtual goods such as symbol and membership plans. Paying players usually exchange their Virtual Currencies for the virtual goods shortly after purchase.

Third-party distribution channels and payment channels collect the payments from the paying players and remit the cash to the Group, net of commission charges which are pre-determined according to the relevant terms of the agreements entered into between the Group and the third-party distribution or payment channels. For paying players who use payment channels of the Mobile Operators, cash remitted to the Group are also net of provision for doubtful debts or bad debts as assessed by the Mobile Operators as detailed in single player mobile games above.

Upon the sales of Virtual Currencies, the Group typically has an implied obligation to provide the services which enable the virtual goods exchanged with the Virtual Currencies to be displayed or used in the games. As a result, the proceeds (net of provision for doubtful debts assessed by Mobile Operators, if applicable) received from sales of Virtual Currencies are recorded as deferred revenue. The attributable portion of the deferred revenue relating to values of the virtual goods are recognised as revenue (as a release from deferred revenue) when the goods are consumed and the related services are rendered, i.e. ratably over the predetermined service period of the respective virtual goods.

For revenues relating to self-developed mobile games, the Group has evaluated the roles and responsibilities of the Group, and the third-party distribution and payment channels in the delivery of game experience to the paying players and concluded the Group takes the primary responsibilities in rendering services. The Group is determined to be the primary obligor and, accordingly, the Group records revenue on a gross basis, and commission charges by third-party distribution and payment channels are recorded as cost of revenue.

Third-party operated games

For revenue derived from third-party operated mobile games, the Group follows the policies of PC games — “Third-party operated games” as the operations of the two types of games are similar. The games distributed on the Group’s and third-party distributors’ platform are hosted, maintained, operated and updated independently by the game developers, and the Group mainly provide players with access to the Group’s platform to download the third-party developers’ games and limited after-sale basic technical support to the paying players. The Group has evaluated and determined it is not the primary obligor in the services rendered to the paying players as a platform. Accordingly, the Group has adopted a policy to recognise revenue when the paying players purchase the virtual currencies for consumable or durable virtual goods for the relevant games and records its revenue net of the portion of sharing of revenues with the game developers.

2.13 Interest income

Interest income mainly represents interest income from bank deposits and is recognised using effective interest method.

2.14 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to the purchase of assets are included in liabilities as deferred government grants in the statement of financial position and are recognised in profit or loss on a straight-line basis over the expected lives of the related assets.

Government grants relating to income is presented in gross under "Other income" in the statement of comprehensive income.

2.15 Impairment of non-financial assets

Property, plant and equipment, intangible assets and interest in an associate are subject to impairment testing. Intangible assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses recognised is charged pro rata to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.16 Employee benefits

(a) Pension obligations

The Group has various defined contribution plans in accordance with the local conditions and practices in the municipalities and provinces in which they operate. Defined contribution plans are pension and/or other social benefit plans under which the Group pay fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. The contributions are recognised as labour costs when they are due.

(b) Bonus entitlements

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made. Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

(c) Equity-settled share-based compensation transactions

In 2012, Mr Zhang Rongming and Mr Li Jianhua transferred part of their interests in the Listing Business indirectly to certain employees of Lianzhong in return for their continuous services to the Group (Note 25). The Group also operates an equity-settled share-based compensation plan, the Management Pre-IPO

Share Option Scheme, under which the Group receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the services received in exchange for the grant of the equity instruments is recognised as expense.

In terms of share options and shares awarded to employees, the total amount to be expensed is determined by reference to the fair value of the equity instruments granted including any market performance conditions; excluding the impact of any service and non-market performance vesting conditions; and including the impact of any non-vesting conditions.

Non-market performance and service conditions are included in assumptions about the number of options and shares that are expected to vest. The total expense is recognised over the vesting period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of options and shares that are expected to vest based on the non-marketing performance and service conditions. The Group recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium.

(d) *Share-based payment transactions among group entities*

The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity (share option reserve) in the separate financial statements of the Company.

2.17 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year/period. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
 - (i) the same taxable entity; or
 - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.18 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.19 Dividend distribution

Dividend distribution to the Company's ordinary and preferred shareholders is recognised as a liability in the Group's and the Company's Financial Information in the period in which the dividends are approved by the company's shareholders or board of directors, where appropriate.

2.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-makers, who are responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.21 Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.
- (b) An entity is related to the Group if any of the following conditions applies:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) both entities are joint ventures of the same third-party.
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) the entity is controlled or jointly controlled by a person identified in (a).
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The Group makes accounting estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions 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.

(a) *Estimates of Player Relationship Period for revenue recognition*

As described in Note 2.12(a), the Group recognizes revenue from certain durable virtual goods derived from its self-developed and licensed PC games over the Player Relationship Period. The determination of Player Relationship Period in each type of virtual goods is based on the Group's best estimate that takes

into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on an annual basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate. During the Relevant Periods, the Player Relationship Period of the Group's major licensed PC game which was only available on the Group's proprietary platform was 45 days.

(b) *Provision for impairment of trade receivables*

The Group determines the provision for impairment of trade receivables. This estimate is based on the credit history of the customers and the current market condition. Management reassesses the adequacy of provision on a regular basis by reviewing the individual account based on past credit history and any prior knowledge of debtor insolvency or other credit risk which might not be easily accessible public information and market volatility might bear a significant impact which might not be easily ascertained.

(c) *Fair value of share-based awards to employees*

As detailed in Note 25, certain shareholders of Lianzhong have transferred part of their interests in the Listing Business indirectly to employees of the Group. The directors, with the assistance of an independent professional valuer, have used the discounted cash flow method and market approach to determine the total fair value of these shares awarded. Significant judgments on key assumptions, such as discount rates and projections of future performance are required to be made by the directors.

(d) *Recognition of share-based compensation expenses*

As detailed in Note 25, the Company and certain controlling shareholder have granted share options to the Group's management and employees during the three months ended 31 March 2014. The directors, with the assistance of an independent professional valuer, have used the discounted cash flow method and market approach to determine the underlying share value of the Company and have used the Binomial option-pricing model to determine the total fair value of the options granted, which is to be expensed over the vesting period as appropriate. Significant estimate on assumptions, such as underlying equity value, risk-free interest rate, expected volatility and dividend yield, is required to be made by the directors in applying the Binomial option-pricing model.

(e) *Current and deferred income taxes*

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(f) *Significant influence over Beijing Linghegu Online Technology Co., Ltd.* (北京零禾穀網絡科技有限責任公司, "Beijing Linghegu")

As detailed in Note 19, Beijing Linghegu becomes an associate of the Group from 2013 although the Group owns less than 20% ownership interest in Beijing Linghegu. The Group has significant influence over Beijing Linghegu by virtue of its contractual right to appoint one out of three directors to the board of directors of that company.

4. REVENUE AND SEGMENT INFORMATION

The Group's operating activities are attributable to a single reportable and operating segment focusing primarily on the development and operation of online card and board games in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-makers (the "CODM"), being the executive directors of the Group. The CODM mainly reviews revenue derived from PC games and mobile games, which are measured in accordance with the Group's accounting policies. However, other than revenue information, no operating results and other discrete financial information is available for the assessment of performance of the respective type of revenue. The CODM reviews the overall results of the Group as a whole to make decisions about resources allocation. Accordingly, no segment information is presented. An analysis of the Group's revenue is as follows:

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
PC games	148,034	192,105	210,669	44,097	74,724
Mobile games	3,829	6,571	15,628	941	17,314
Others (note)	2,085	7,134	10,003	1,164	951
	<u>153,948</u>	<u>205,810</u>	<u>236,300</u>	<u>46,202</u>	<u>92,989</u>

Note: Others mainly represent miscellaneous revenue derived from game tournaments organised by the Group during the Relevant Periods, which includes sponsorship income received.

The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group's revenue during the Relevant Periods.

As of 31 December 2011, 2012 and 2013 and 31 March 2014, majority of the non-current assets (other than financial instruments and deferred tax assets) of the Group were located in the PRC.

5. OTHER INCOME

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Other revenue					
Interest income	184	670	989	101	103
Other net income					
Subsidy income from government (note)	1,550	2,125	3,172	—	44
Compensation income from a game developer	1,950	—	—	—	—
Sundry income	2,019	349	488	11	324
	<u>5,519</u>	<u>2,474</u>	<u>3,660</u>	<u>11</u>	<u>368</u>
	<u>5,703</u>	<u>3,144</u>	<u>4,649</u>	<u>112</u>	<u>471</u>

Note: Subsidy income mainly relates to cash subsidies in respect of operating and development activities from governments which are either unconditional grants or grants with conditions having been satisfied.

6. PROFIT FOR THE YEAR/PERIOD

Profit for the year/period has been arrived at after charging/(crediting):

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Finance costs					
Interest on bank loans, wholly repayable within					
one year	128	—	—	—	—
Others	—	2	—	—	—
	<u>128</u>	<u>2</u>	<u>—</u>	<u>—</u>	<u>—</u>
Employee benefit expenses					
Salaries, bonus and allowances	42,866	54,258	54,454	15,990	15,662
Retirement benefit scheme contributions	11,151	15,056	15,688	4,121	3,247
Severance payments	304	997	2,350	432	78
Share-based compensation expense	—	1,049	490	440	3,056
	<u>54,321</u>	<u>71,360</u>	<u>72,982</u>	<u>20,983</u>	<u>22,043</u>
Other items					
Auditors' remuneration	1,073	444	342	—	170
Listing-related expenses	—	—	1,783	—	5,570
Depreciation of property, plant and equipment ...	8,964	7,028	5,318	1,067	1,536
Amortisation of intangible assets	1,077	3,584	9,505	2,009	2,934
Provision for doubtful trade and other					
receivables	1,045	1,232	—	—	—
Loss/(Gain) on disposal of property, plant and					
equipment	174	821	(149)	(11)	—
Net foreign exchange (gain)/loss	—	(32)	177	13	(224)
Operating lease charges on office premises	4,193	4,979	6,404	1,665	2,057
	<u>4,193</u>	<u>4,979</u>	<u>6,404</u>	<u>1,665</u>	<u>2,057</u>

7. INCOME TAX EXPENSE

	Note	Year ended 31 December			Three months ended 31 March	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Current tax—PRC enterprise income tax						
Current year/period		214	4,484	3,706	328	3,357
Deferred tax						
Origination and reversal of temporary						
differences		4,285	1,714	347	70	—
Effect on deferred tax balances at						
1 January 2013 resulting from a change						
in tax rate		—	—	253	—	—
	22	<u>4,285</u>	<u>1,714</u>	<u>600</u>	<u>70</u>	<u>—</u>
Income tax expense		<u>4,499</u>	<u>6,198</u>	<u>4,306</u>	<u>398</u>	<u>3,357</u>

The difference between the actual income tax charge in the consolidated statements of comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Profit before income tax	<u>31,045</u>	<u>37,163</u>	<u>44,767</u>	<u>2,180</u>	<u>24,911</u>
Tax on profit before income tax, calculated at the statutory rates applicable to profits in the tax jurisdiction concerned	7,762	9,283	11,836	594	8,313
Tax effect on non-deductible expenses	586	890	150	56	46
Tax effect on preferential income tax rates applicable to a subsidiary	(3,105)	(3,878)	(7,127)	(252)	(5,002)
Tax effect on super deduction in research and development activities	—	—	(806)	—	—
Tax effect on unrecognised temporary difference	96	(97)	—	—	—
Effect on deferred tax balances at 1 January 2013 resulting from a change in tax rate	—	—	253	—	—
Recognition of tax losses previously not recognised	(840)	—	—	—	—
Income tax expense	<u>4,499</u>	<u>6,198</u>	<u>4,306</u>	<u>398</u>	<u>3,357</u>

Notes:

(a) *Cayman Islands income tax*

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) *Hong Kong profits tax*

Hong Kong profits tax rate is 16.5% for the Relevant Periods. Hong Kong profits tax has not been provided as the companies within the Group had no estimated assessable profits in Hong Kong during the Relevant Periods.

(c) *PRC enterprise income tax*

The income tax provision of the Group in respect of its operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the Relevant Periods based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate for the Relevant Periods is 25%.

Pursuant to the relevant laws and regulations in the PRC, Lianzhong obtained the High and New Technology Enterprise qualification ("HNTE") in 2011 and accordingly, enjoyed preferential income tax rate of 15% for the years ended 31 December 2011 and 2012.

Pursuant to the relevant laws and regulations in the PRC, Lianzhong was accredited as a "Key Software Enterprise within National Planning Layout" (國家規劃佈局內重點軟件企業) in December 2013. Pursuant to the above entitlement, Lianzhong enjoys a preferential income tax rate of 10% for the years 2013 and 2014.

According to relevant laws and regulations in the PRC, enterprises engaging in research and development activities are entitled to claim 150% of the research and development expenses so incurred as tax deductible expenses when determining their assessable profits for that year ("Super Deduction"). Lianzhong has not claimed any Super Deduction for the years ended 31 December 2011 and 2012. Lianzhong has made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for the year ended 31 December 2013 and the three months ended 31 March 2014.

(d) *PRC withholding tax*

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

8. DIVIDENDS

	Notes	Year ended 31 December			Three months ended 31 March	
		2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Dividend declared by the Company	(a)	—	—	—	—	296,498
Dividend declared by Lianzhong	(b)	—	29,000	—	—	3,500
		<u>—</u>	<u>29,000</u>	<u>—</u>	<u>—</u>	<u>299,998</u>

Notes:

- (a) A special dividend amounting to RMB296,498,000 (equivalent to approximately US\$48,566,000) has been proposed, approved and paid to the ordinary shareholders of the Company during the three months ended 31 March 2014. The preferred shareholders of the Company and Blink Milestones have waived their entitlement to the special dividend.
- (b) Dividends disclosed during the Relevant Periods represented dividends declared before the Contractual Arrangements were entered and paid by Lianzhong to its then shareholders.

The rates for dividend and the number of shares ranking for dividends are not presented as such information is not considered meaningful for the purpose of this report.

9. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have issued and allotted on 1 January 2011 as if the Company has been established by then. In addition, the number of ordinary shares and non-redeemable convertible Series A Preferred Shares outstanding during the respective year/period have also been adjusted retrospectively for the proportional change in the number of shares outstanding as a result of the share sub-division and shares to be issued pursuant to the capitalisation issue as detailed in Notes 23 and 31, respectively, in the computation of both basic and diluted earnings per share for the Relevant Periods.

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company, which has been allocated based on the predetermined dividend payout formula (60% to Series A Preferred Shares holders and 40% to ordinary equity holders when declared on a pro rata basis), by the weighted average number of ordinary shares and Series A Preferred Shares outstanding during the year/period.

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Earnings					
Profit attributable to equity holders of the Company					
Basic earnings attributable to ordinary shares	20,988	29,291	35,052	1,613	8,621
Basic earnings attributable to Series A Preferred Shares issued during the three months ended 31 March 2014	—	—	—	—	12,931
	<u>20,988</u>	<u>29,291</u>	<u>35,052</u>	<u>1,613</u>	<u>21,552</u>

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013 (Unaudited)	2014
Number of shares (in thousands)					
Weighted average number of shares outstanding for basic earnings per share					
Ordinary shares	411,600	411,600	411,600	411,600	411,600
Series A Preferred Shares	—	—	—	—	98,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013 (Unaudited)	2014
Basic earnings per Share (RMB cents)					
Basic earnings per ordinary share	5.10	7.12	8.52	0.39	2.09
Basic earnings per Series A Preferred Shares	—	—	—	—	13.19
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares and Series A Preferred Shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares for each of the years ended 31 December 2011, 2012 and 2013 and for the three months ended 31 March 2013. For the three months ended 31 March 2014, the Company has two categories of dilutive potential ordinary shares, the Management Pre-IPO Share Option Scheme and the Series A Preferred Shares. Share options issued pursuant to the Management Pre-IPO Share Option Scheme are not considered as dilutive potential ordinary shares as they are issuable contingently upon the occurrence of the completion of an IPO, as described in Note 25(b). The Series A Preferred Shares are assumed to have been converted into ordinary shares. Upon conversion, the predetermined dividend payout formula beneficial to the Series A Preferred Shares holders no longer applies. The conversion will result in an increased allocation of undistributed earnings to the ordinary equity holders of the Company. As a result, the diluted earnings per ordinary share for the three months ended 31 March 2014 equates to its basic earnings per ordinary share as the conversion would have an anti-dilutive effect to the basic earnings per ordinary share.

10. DIRECTORS' REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

The emoluments of the individual director of the Company during the Relevant Periods which were included in the employee benefit expenses are set out below:

Name of director	Notes	Fees	Basic salaries and allowances	Discretionary bonus	Retirement benefit contribution	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011							
Executive directors:							
Zhang Rongming	(i)	—	—	—	—	—	—
Liu Jiang	(i)	—	—	—	—	—	—
Yang Eric Qing	(i)	—	670	280	—	—	950
Ng Kwok Leung Frank	(i)	—	604	280	—	—	884
		—	1,274	560	—	—	1,834
Year ended 31 December 2012							
Executive directors:							
Zhang Rongming	(i)	—	—	—	—	—	—
Liu Jiang	(i)	—	—	—	—	—	—
Yang Eric Qing	(i)	—	670	566	36	—	1,272
Ng Kwok Leung Frank	(i)	—	604	566	—	—	1,170
		—	1,274	1,132	36	—	2,442
Year ended 31 December 2013							
Executive directors:							
Zhang Rongming	(i)	—	—	—	—	—	—
Liu Jiang	(i)	—	—	—	—	—	—
Yang Eric Qing	(i)	—	670	—	57	—	727
Ng Kwok Leung Frank	(i)	—	604	—	—	—	604
		—	1,274	—	57	—	1,331
Three months ended 31 March 2013 (unaudited)							
Executive directors:							
Zhang Rongming	(i)	—	—	—	—	—	—
Liu Jiang	(i)	—	—	—	—	—	—
Yang Eric Qing	(i)	—	168	—	14	—	182
Ng Kwok Leung Frank	(i)	—	151	—	—	—	151
		—	319	—	14	—	333

Name of director	Notes	Fees	Basic salaries and allowances	Discretionary bonus	Retirement benefit contribution	Share-based compensation	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2014							
Executive directors:							
Zhang Rongming	(i)	—	—	—	—	—	—
Liu Jiang	(i)	—	—	—	—	—	—
Yang Eric Qing	(i)	—	168	—	15	1,052	1,235
Ng Kwok Leung Frank	(i)	—	151	—	—	1,052	1,203
Non-executive directors:							
Fan Tai	(ii)	—	—	—	—	—	—
Chen Xian	(ii)	—	—	—	—	—	—
Independent non-executive directors:							
Ge Xuan	(iii)	—	—	—	—	—	—
Lu Zhong	(iii)	—	—	—	—	—	—
Cheung Chung Yan David	(iii)	—	—	—	—	—	—
		—	319	—	15	2,104	2,438

Notes:

- (i) Appointed on 4 December 2013. The remuneration shown above represents remuneration received from the Group by these directors in their capacity as employees or directors of the companies comprising the Group during the Relevant Periods.
- (ii) Mr Fan Tai and Mr Chen Xian were appointed as non-executive directors on 7 March 2014. They had not received or were not entitled to receive any emoluments during the Relevant Periods.
- (iii) Mr Ge Xuan, Mr Lu Zhong and Mr Cheung Chung Yan David were appointed as independent non-executive directors on 7 March 2014 with effect upon the Listing. They had not received or were not entitled to receive any emoluments during the Relevant Periods.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the Relevant Periods.

(b) Five highest paid individuals

For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, the five individuals whose emoluments were the highest in the Group include 2, 2, 2, 2 and 2 directors, respectively, whose emoluments are reflected in the analysis presented above. The emoluments paid to the remaining 3, 3, 3, 3 and 3 individuals are as follows:

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Basic salaries and allowances	1,241	992	1,288	352	264
Discretionary bonus	82	389	45	—	232
Retirement benefit scheme contributions	198	185	235	56	45
Share-based compensation expense	—	185	116	103	603
	1,521	1,751	1,684	511	1,144

The aggregate of the emoluments in respect of the remaining 3, 3, 3, 3 and 3 individuals for the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014 fell within the following bands:

	Year ended 31 December			Three months ended 31 March	
	2011	2012	2013	2013 (Unaudited)	2014
Emolument bands					
Nil—HK\$1,000,000	3	3	3	3	3

During the Relevant Periods, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements RMB'000	Computer equipment RMB'000	Furniture and office equipment RMB'000	Motor vehicle RMB'000	Total RMB'000
At 1 January 2011					
Cost	3,400	34,423	1,034	191	39,048
Accumulated depreciation and impairment losses	(1,055)	(23,900)	(476)	(99)	(25,530)
Net book amount	<u>2,345</u>	<u>10,523</u>	<u>558</u>	<u>92</u>	<u>13,518</u>
Year ended 31 December 2011					
Opening net book amount	2,345	10,523	558	92	13,518
Reclassifications	—	(120)	120	—	—
Additions	1,534	5,259	138	—	6,931
Disposals	(226)	(46)	—	—	(272)
Depreciation	(937)	(7,533)	(456)	(38)	(8,964)
Closing net book amount	<u>2,716</u>	<u>8,083</u>	<u>360</u>	<u>54</u>	<u>11,213</u>
At 31 December 2011					
Cost	4,589	34,551	1,396	191	40,727
Accumulated depreciation and impairment losses	(1,873)	(26,468)	(1,036)	(137)	(29,514)
Net book amount	<u>2,716</u>	<u>8,083</u>	<u>360</u>	<u>54</u>	<u>11,213</u>
Year ended 31 December 2012					
Opening net book amount	2,716	8,083	360	54	11,213
Additions	335	3,300	92	—	3,727
Disposals	(829)	—	—	—	(829)
Depreciation	(1,054)	(5,654)	(282)	(38)	(7,028)
Closing net book amount	<u>1,168</u>	<u>5,729</u>	<u>170</u>	<u>16</u>	<u>7,083</u>
At 31 December 2012					
Cost	3,690	36,366	1,433	191	41,680
Accumulated depreciation and impairment losses	(2,522)	(30,637)	(1,263)	(175)	(34,597)
Net book amount	<u>1,168</u>	<u>5,729</u>	<u>170</u>	<u>16</u>	<u>7,083</u>
Year ended 31 December 2013					
Opening net book amount	1,168	5,729	170	16	7,083
Additions	—	6,089	716	600	7,405
Disposals	—	(2)	—	—	(2)
Depreciation	(861)	(4,278)	(125)	(54)	(5,318)
Closing net book amount	<u>307</u>	<u>7,538</u>	<u>761</u>	<u>562</u>	<u>9,168</u>
At 31 December 2013					
Cost	3,690	38,837	2,115	600	45,242
Accumulated depreciation and impairment losses	(3,383)	(31,299)	(1,354)	(38)	(36,074)
Net book amount	<u>307</u>	<u>7,538</u>	<u>761</u>	<u>562</u>	<u>9,168</u>

	Leasehold improvements	Computer equipment	Furniture and office equipment	Motor vehicle	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2014					
Opening net book amount	307	7,538	761	562	9,168
Additions	—	181	57	—	238
Depreciation	(215)	(1,219)	(72)	(30)	(1,536)
Closing net book amount	<u>92</u>	<u>6,500</u>	<u>746</u>	<u>532</u>	<u>7,870</u>
At 31 March 2014					
Cost	3,690	39,018	2,172	600	45,480
Accumulated depreciation and impairment losses	(3,598)	(32,518)	(1,426)	(68)	(37,610)
Net book amount	<u>92</u>	<u>6,500</u>	<u>746</u>	<u>532</u>	<u>7,870</u>

Depreciation charges recognised is analysed as follows:

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Cost of revenue	6,569	4,742	3,495	641	992
Selling and marketing expenses	430	296	263	51	88
Administrative expenses	1,574	1,466	1,200	288	357
Research and development expenses	391	524	360	87	99
	<u>8,964</u>	<u>7,028</u>	<u>5,318</u>	<u>1,067</u>	<u>1,536</u>

12. INTERESTS IN SUBSIDIARIES — COMPANY

	As at 31 December 2013 RMB'000	As at 31 March 2014 RMB'000
Unlisted shares, at cost (Note (i))	—	—
Deemed investment arising from share-based compensation (Note (ii))	—	422
	<u>—</u>	<u>422</u>

Details of the subsidiaries of the Group are set out in Note 1.2 of Section II.

- (i) The Company's investment in a subsidiary represent the investment in Lianzhong Holdings (Hong Kong) Limited, a company incorporated in Hong Kong on 18 December 2013. On incorporation, 100 ordinary shares of HK\$1 each were issued at par to the Company.
- (ii) The amount represents share-based compensation expense arising from the grant of share options of the Company to certain management (Note 25(b)) in exchange for their services provided to certain subsidiaries of the Group, which were deemed to be investment made by the Company to these subsidiaries.

13. INTANGIBLE ASSETS

	Computer software	Game intellectual properties, trademark and licenses	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2011				
Cost	656	23,687	1,747	26,090
Accumulated amortisation and impairment losses	(313)	(23,584)	—	(23,897)
Net book amount	<u>343</u>	<u>103</u>	<u>1,747</u>	<u>2,193</u>
Year ended 31 December 2011				
Opening net book amount	343	103	1,747	2,193
Transfers	—	5,318	(5,318)	—
Additions	3,159	289	6,388	9,836
Amortisation	(373)	(704)	—	(1,077)
Closing net book amount	<u>3,129</u>	<u>5,006</u>	<u>2,817</u>	<u>10,952</u>
At 31 December 2011				
Cost	3,815	11,294	2,817	17,926
Accumulated amortisation and impairment losses	(686)	(6,288)	—	(6,974)
Net book amount	<u>3,129</u>	<u>5,006</u>	<u>2,817</u>	<u>10,952</u>
Year ended 31 December 2012				
Opening net book amount	3,129	5,006	2,817	10,952
Transfers	—	10,542	(10,542)	—
Additions	1,484	6,047	9,923	17,454
Amortisation	(753)	(2,831)	—	(3,584)
Closing net book amount	<u>3,860</u>	<u>18,764</u>	<u>2,198</u>	<u>24,822</u>
At 31 December 2012				
Cost	5,299	27,883	2,198	35,380
Accumulated amortisation and impairment losses	(1,439)	(9,119)	—	(10,558)
Net book amount	<u>3,860</u>	<u>18,764</u>	<u>2,198</u>	<u>24,822</u>
Year ended 31 December 2013				
Opening net book amount	3,860	18,764	2,198	24,822
Transfers	—	8,904	(8,904)	—
Additions	1,287	14,331	12,383	28,001
Amortisation	(1,013)	(8,492)	—	(9,505)
Closing net book amount	<u>4,134</u>	<u>33,507</u>	<u>5,677</u>	<u>43,318</u>
At 31 December 2013				
Cost	6,586	51,118	5,677	63,381
Accumulated amortisation and impairment losses	(2,452)	(17,611)	—	(20,063)
Net book amount	<u>4,134</u>	<u>33,507</u>	<u>5,677</u>	<u>43,318</u>

	Computer software	Game intellectual properties, trademark and licenses	Development costs	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Three months ended 31 March 2014				
Opening net book amount	4,134	33,507	5,677	43,318
Transfers	—	2,154	(2,154)	—
Additions	—	—	3,014	3,014
Amortisation	(306)	(2,628)	—	(2,934)
Closing net book amount	<u>3,828</u>	<u>33,033</u>	<u>6,537</u>	<u>43,398</u>
At 31 March 2014				
Cost	6,586	53,272	6,537	66,395
Accumulated amortisation and impairment losses	(2,758)	(20,239)	—	(22,997)
Net book amount	<u>3,828</u>	<u>33,033</u>	<u>6,537</u>	<u>43,398</u>

The development costs represented all direct costs incurred in the development of webgames, mobile games and software products.

Amortisation charges recognised is analysed as follows:

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Cost of revenue	863	3,521	9,269	1,955	2,872
Selling and marketing expenses	—	—	18	—	8
Administrative expenses	10	30	185	46	46
Research and development expenses	204	33	33	8	8
	<u>1,077</u>	<u>3,584</u>	<u>9,505</u>	<u>2,009</u>	<u>2,934</u>

14. INVENTORIES

	As at 31 December			As at 31 March
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Finished goods	<u>301</u>	<u>636</u>	<u>1,169</u>	<u>985</u>

For the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, the cost of inventories recognised as expense and included in selling and marketing expenses amounted to RMB365,000, RMB912,000, RMB2,592,000, RMB416,000 and RMB384,000 respectively.

15. TRADE AND OTHER RECEIVABLES

Group

	Notes	As at 31 December			As at
		2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
Trade receivables					
From third parties	(a)	7,949	13,867	36,325	53,077
Less: provision for impairment of trade receivables ...		(1,961)	(2,193)	(583)	(583)
		<u>5,988</u>	<u>11,674</u>	<u>35,742</u>	<u>52,494</u>
Other receivables					
Deposits, prepayments and other receivables	(b)	16,162	10,288	21,094	17,162
Advances to employees		64	965	1,755	1,749
Amounts due from shareholders		—	—	61	61
Deferred IPO costs		—	—	815	3,753
		<u>16,226</u>	<u>11,253</u>	<u>23,725</u>	<u>22,725</u>
Less: provision for impairment of other receivables ...		—	(1,000)	(1,000)	(1,000)
		<u>16,226</u>	<u>10,253</u>	<u>22,725</u>	<u>21,725</u>
		<u><u>22,214</u></u>	<u><u>21,927</u></u>	<u><u>58,467</u></u>	<u><u>74,219</u></u>

The directors of the Group considered that the fair values of trade and other receivables are not materially different from their carrying amounts because these amounts have short maturity periods on their inception.

(a) Trade receivables

Trade receivables were arising from the operation of online card and board games. The credit terms of trade receivables granted to distribution channels and payment vendors are usually 30 to 90 days. Ageing analysis based on recognition date of the gross trade receivables at the respective reporting dates is as follows:

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
0 – 30 days	2,027	3,883	10,589	13,982
31 – 60 days	955	1,617	9,308	7,220
61 – 90 days	925	1,458	8,772	8,459
91 – 180 days	1,166	3,077	6,832	22,620
181 – 365 days	651	1,520	164	135
Over 1 year	2,225	2,312	660	661
	<u>7,949</u>	<u>13,867</u>	<u>36,325</u>	<u>53,077</u>

The movement in the provision for impairment of trade receivables is as follows:

	Year ended 31 December			Three months ended 31 March
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Balance at the beginning of the year/period	1,153	1,961	2,193	583
Provision for impairment	1,045	232	—	—
Amount written off during the year/period	(237)	—	(1,610)	—
Balance at the end of the year/period	<u>1,961</u>	<u>2,193</u>	<u>583</u>	<u>583</u>

As at 31 December 2011, 2012 and 2013 and 31 March 2014, the Group reviews for evidence of impairment on both an individual and collective basis. As at 31 December 2011, 2012 and 2013 and 31 March 2014, the Group has determined trade receivables of RMB1,045,000, RMB232,000, nil and nil respectively as individually impaired. Based on this assessment, provision for impairment loss has been recognised accordingly and has been included in “administrative expenses” in the consolidated statements of comprehensive income. The impaired trade receivables are due from distribution channels and payment vendors experiencing financial difficulties that were in default or delinquency of payments. The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of the Group's trade receivables that were past due as at the reporting date but not impaired, based on due date is as follows:

	As at 31 December			As at 31 March
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
1 – 90 days past due	2,051	5,394	11,368	22,972
91 – 180 days past due	1,166	2,740	164	2,011
181 – 360 days past due	650	734	25	129
Over 1 year past due	263	52	52	78
	<u>4,130</u>	<u>8,920</u>	<u>11,609</u>	<u>25,190</u>

As at 31 December 2011, 2012 and 2013 and 31 March 2014, trade receivables that were neither past due nor impaired were RMB1,858,000, RMB2,754,000, RMB24,133,000 and RMB27,304,000 respectively. These related to a number of distribution channels and payment vendors for whom there was no recent history of default.

Trade receivables that were past due but not impaired related to a number of distribution channels and third-party payment vendors that had a good track record of credit with the Group. Based on past credit history, management believe that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group does not hold any collateral in respect of trade receivables past due but not impaired.

As at 31 December 2011, 2012 and 2013 and 31 March 2014, 62%, 73%, 85% and 80% of trade receivables are due from two, two, three and three major distribution channels and payment vendors in cooperation with the Group's online card and board games business.

(b) Other receivables

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business. These advances are unsecured, interest-free and repayable on demand.

The amounts due from shareholders are unsecured, interest-free and repayable on demand.

The movement in the provision for impairment of other receivables is as follows:

	Year ended 31 December			Three months ended
	2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
Balance at the beginning of the year/period	—	—	1,000	1,000
Provision for impairment	—	1,000	—	—
Balance at the end of the year/period	—	1,000	1,000	1,000

Company

	As at	As at
	31 December 2013 RMB'000	31 March 2014 RMB'000
Other receivables		
Amounts due from shareholders	61	61
Deferred IPO costs	711	3,753
	<u>772</u>	<u>3,814</u>

The amounts due from shareholders are unsecured, interest-free and repayable on demand.

16. LOANS TO SHAREHOLDERS

Loans to shareholders were unsecured, interest-free and repayable on demand. As at 31 December 2011, 2012 and 2013, the carrying amount of the amounts due approximates its fair value and were expected to be recovered within one year. The loans have been fully repaid by the shareholders during the three months ended 31 March 2014.

17. AMOUNT DUE FROM FORMER HOLDING COMPANY

The amount due was unsecured, interest-free and was fully repaid during the year ended 31 December 2012. As at 31 December 2011, the carrying amount of the amounts due approximates its fair value.

18. AVAILABLE-FOR-SALE FINANCIAL ASSETS

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
Included in non-current assets				
Unlisted equity investments, at cost less impairment losses . . .	—	5,000	—	—
Included in current assets				
Unlisted trust funds, at fair value	5,000	—	5,000	9,000
	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>9,000</u>

The directors determined that the fair value of the unlisted trust funds as issued by financial institutions are not materially different from the carrying amount as stated above.

The unlisted equity investments represent investment in Beijing Linghegu, a company incorporated on 14 September 2012 and is engaged in the provision of technology development and consultation services in the PRC. In 2012, Lianzhong obtained 15.97% in Beijing Linghegu at a consideration of RMB5,000,000. The investment were measured at cost less impairment losses as these investments do not have quoted market prices in an active market and the range of reasonable fair value estimate is so significant that the directors of the Company are of the opinion that their fair value cannot be measured reliably. As at 31 December 2012, the Group plans to hold the investment in Beijing Linghegu for the foreseeable future.

In May 2013, Lianzhong has obtained an additional 3.51% interest in Beijing Linghegu, increasing its equity interest from 15.97% to 19.48% at a consideration of RMB2,000,000. On 29 September 2013, a new investment agreement was signed among all shareholders of Beijing Linghegu and two additional new investors in which the Group's equity interest in Beijing Linghegu was diluted to 17.05%. On the same date, Lianzhong obtained significant influence over Beijing Linghegu through the power to appoint representative on its board. As a result, the investment in Beijing Linghegu has been re-classified as an investment in an associate (Note 19).

19. INTEREST IN AN ASSOCIATE

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Share of net assets	—	—	1,840	1,840
Goodwill	—	—	5,160	5,160
	—	—	7,000	7,000
	<u>—</u>	<u>—</u>	<u>7,000</u>	<u>7,000</u>

As at 31 December 2013 and 31 March 2014, interest in an associate represents a 17.05% equity interest in Beijing Linghegu as detailed in Note 18 and is a strategic partner for the Group in MMOG (Massively multiplayer online game) and mobile game development. In early 2012, Beijing Linghegu has completed a MMOG and has sold to the Group at a cash consideration plus future revenue sharing arrangement. During the period from 1 September 2013 to 31 December 2013 and for the three months ended 31 March 2014, the revenue sharing for licensed games paid/payable to Beijing Linghegu amounted to RMB147,000 and RMB123,000 respectively. The share of Beijing Linghegu's loss by the Group for the period ended 31 December 2013 and 31 March 2014 are considered to be immaterial.

Summarised financial information of Beijing Linghegu as at 31 December 2013 and 31 March 2014 and for the year ended 31 December 2013 and the three months ended 31 March 2014, adjusted for any differences in accounting policies, and reconciled to the carrying amounts in the consolidated financial statements, are disclosed below:

	2013 RMB'000	2014 RMB'000
Gross amounts of the associate		
Current assets	7,290	7,720
Non-current assets	3,442	4,920
Current liabilities	(15)	(3,302)
Equity	10,717	9,338
Revenue	3,256	285
Profit/(Loss) and other comprehensive income/(loss) for the year/period	47	(1,379)
Reconciled to the Group's interest in an associate		
Gross amounts of net asset of the associate	10,717	9,338
Group's effective interest 17.05%	1,827	1,592
Goodwill	5,160	5,160
Share of loss not taken up by the Group during the year/period	13	248
	<u>7,000</u>	<u>7,000</u>

20. TRADE AND OTHER PAYABLES

Group

	Notes	As at 31 December			As at
		2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
Trade payables					
To third parties		12,715	12,013	12,419	13,732
To an associate		—	—	79	174
	(a)	<u>12,715</u>	<u>12,013</u>	<u>12,498</u>	<u>13,906</u>
Other payables					
Receipts in advance		526	264	82	82
Other payables and accrued charges		3,888	3,129	7,213	10,275
Other tax liabilities		1,432	2,895	1,670	1,460
Staff costs and welfare accruals		5,588	6,214	5,700	6,873
Deferred income related to government grants		—	—	666	625
		<u>11,434</u>	<u>12,502</u>	<u>15,331</u>	<u>19,315</u>
		<u>24,149</u>	<u>24,515</u>	<u>27,829</u>	<u>33,221</u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 December 2011, 2012 and 2013 and 31 March 2014 were considered to be a reasonable approximation of its fair value.

(a) Trade payables

Trade payables primarily related to the purchase of services for server custody, outsourcing game development and the revenue sharing of licensed and third-party operated PC games and which is payable to cooperated game developers according to respective cooperation agreements.

The ageing analysis of trade payables based on recognition date is as follows:

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
0 – 30 days	8,704	4,792	5,395	5,042
31 – 60 days	2,561	1,112	2,673	3,989
61 – 90 days	320	1,445	611	782
91 – 180 days	861	2,152	912	1,698
181 – 365 days	85	1,892	888	420
Over 1 year	184	620	2,019	1,975
	<u>12,715</u>	<u>12,013</u>	<u>12,498</u>	<u>13,906</u>

Company

	As at	As at
	31 December	31 March
	2013	2014
	RMB'000	RMB'000
Other payables		
Amounts due to subsidiaries	—	3,897
Other payables and accrued charges	2,069	6,490
	<u>2,069</u>	<u>10,387</u>

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

21. DEFERRED REVENUE

Deferred revenue represented service fees prepaid by the game players for the Group's online games in the forms of prepaid game cards, Virtual Currencies and virtual goods, for which the related services had not been rendered as at 31 December 2011, 2012 and 2013 and 31 March 2014.

22. DEFERRED TAXATION

The analysis of deferred tax assets are as follows:

	As at 31 December			As at
	2011	2012	2013	31 March
	RMB'000	RMB'000	RMB'000	2014
				RMB'000
Deferred tax assets	<u>2,472</u>	<u>758</u>	<u>158</u>	<u>158</u>

The net movement of deferred tax assets are as follows:

	Year ended 31 December			Three months	
	2011	2012	2013	ended 31 March	
	RMB'000	RMB'000	RMB'000	2013	2014
				(Unaudited)	
				RMB'000	RMB'000
At the beginning of the year/period	6,757	2,472	758	758	158
Recognised in profit or loss	(4,285)	(1,714)	(600)	(70)	—
At the end of the year/period	<u>2,472</u>	<u>758</u>	<u>158</u>	<u>688</u>	<u>158</u>

The movement in deferred tax assets during the Relevant Periods, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision for impairment of receivables and intangible assets	Tax losses	Total
	RMB'000	RMB'000	RMB'000
Year ended 31 December 2011			
At the beginning of the year	2,420	4,337	6,757
Recognised in profit or loss	(1,567)	(2,718)	(4,285)
At the end of the year	<u>853</u>	<u>1,619</u>	<u>2,472</u>
Year ended 31 December 2012			
At the beginning of the year	853	1,619	2,472
Recognised in profit or loss	(95)	(1,619)	(1,714)
At the end of the year	<u>758</u>	<u>—</u>	<u>758</u>
Year ended 31 December 2013			
At the beginning of the year	758	—	758
Recognised in profit or loss	(600)	—	(600)
At the end of the year	<u>158</u>	<u>—</u>	<u>158</u>
Three months ended 31 March 2014			
At the beginning of the period	158	—	158
Recognised in profit or loss	—	—	—
At the end of the period	<u>158</u>	<u>—</u>	<u>158</u>

As at 31 December 2011, 2012 and 2013 and 31 March 2014, no deferred tax liability had been provided for the PRC withholding tax that would be payable on the unremitted earnings of approximately RMB33,792,000, RMB20,553,000, RMB58,039,000 and RMB80,180,000 respectively. Such earnings are expected to be retained by the PRC subsidiaries to operate and expand its business in the PRC and not to be remitted to a foreign investor in the foreseeable future.

23. PAID-IN/SHARE CAPITAL

Group

- (i) For the purpose of this report, the capital as at 31 December 2011, 2012 and 2013 represented the Group's share of nominal value of the paid-in capital of the companies comprising the Group after elimination of investments in subsidiaries.

With the completion of the Reorganization on 28 January 2014, the Company became the holding company of the Group and the capital as at 31 March 2014 represents the issued share capital of the Company comprising 285,714,284 share of US\$0.00005 each. Details of the movements in the share capital of the Company since its date of incorporation to 31 March 2014 are detailed below.

- (ii) During the year ended 31 December 2011, the Controlling Shareholders through Wildwolf has acquired additional equity interest in Lianzhong from the then shareholders at an aggregate consideration of RMB58,713,000. As a result, the Group's effective interests in Lianzhong increased to 100%. Accordingly, a deemed acquisition gain of RMB14,690,000 was credited to other reserve.
- (iii) During the year ended 31 December 2012, Mr Zhang Rongming and Mr Li Jianhua, shareholders of Lianzhong, have injected RMB7,500,000 into Lianzhong through Tongshengcheng, of which

approximately RMB1,111,000 was credited to paid-in capital and RMB6,389,000 was credited to the share premium account. For the purpose of this report, it is regarded as a capital injection from the shareholders.

Subsequent to the capital injection as mentioned above, during the year ended 31 December 2012, Jiuding, a third-party investor has injected RMB34,160,000 into Lianzhong. Upon the capital injection by the third-party investor, the Group's effective interest in Lianzhong was diluted from 100% to 87% on 20 June 2012. As a result of such dilution, a deemed disposal gain of RMB19,070,000 was credited to other reserve. For the purpose of this report, Jiuding was treated as a non-controlling equity holder of the Group for the Relevant Periods.

During the year ended 31 December 2012, Shanghai Yaozhong was incorporated with a registered capital of RMB2,000,000, of which 51% (RMB1,020,000) was contributed by Lianzhong and 49% (RMB980,000) was contributed by a non-controlling equity holder.

- (iv) During the year ended 31 December 2012, paid-in capital of Lianzhong of RMB59,229,000 were issued by way of capitalisation of share premium, statutory reserve, other reserve and accumulated profits of the Group.
- (v) As part of the Reorganization, on 30 December 2013, the controlling shareholders of the Company have completed the acquisition of additional equity interest in Lianzhong from Jiuding. As a result, the Group's effective interests in Lianzhong increased to 100%. Accordingly, a transfer of RMB9,360,000 and RMB13,705,000 was credited to paid-in capital and other reserve respectively.
- (vi) With the completion of the Reorganization on 28 January 2014, the Company became the holding company of the Group, the difference between the nominal value of the Company's shares and the then consolidated net assets of the subsidiaries being acquired at the time of the Reorganization was treated as capital contributions from the Controlling Shareholders and included in other reserve.

Company

	Notes	Number of shares	Nominal value of shares US\$'000	Equivalent nominal value of shares RMB'000
Authorised:				
<i>Ordinary shares of the Company:</i>				
Ordinary shares upon incorporation	(vii)	50,000	50	
As at 31 December 2013		50,000	50	
Share sub-division	(viii)	999,950,000	—	
Re-designation and reclassification	(viii)	(85,714,284)	(4)	
As at 31 March 2014		<u>914,285,716</u>	<u>46</u>	
<i>Non-redeemable convertible Series A Preferred Shares of the Company:</i>				
Upon incorporation and as at 31 December 2013		—	—	
Re-designation and reclassification	(viii)	85,714,284	4	
As at 31 March 2014		<u>85,714,284</u>	<u>4</u>	
Issued and fully paid:				
<i>Ordinary shares:</i>				
Issued upon incorporation and as at 31 December 2013	(vii)	10,000	10	61
Share sub-division	(viii)	199,990,000	—	—
As at 31 March 2014		<u>200,000,000</u>	<u>10</u>	<u>61</u>
<i>Non-redeemable convertible Series A Preferred Shares:</i>				
Upon incorporation and as at 31 December 2013		—	—	—
Issued during the period	(ix)	85,714,284	4	24
As at 31 March 2014		<u>85,714,284</u>	<u>4</u>	<u>24</u>
As at 31 March 2014		<u>285,714,284</u>	<u>14</u>	<u>85</u>
As at 31 December 2013		<u>10,000</u>	<u>10</u>	<u>61</u>

(vii) Incorporation of the Company

The Company was incorporated with limited liability on 4 December 2013 with an authorised share capital of US\$50,000 divided into 50,000 ordinary shares of US\$1 each. On incorporation, 10,000 ordinary shares of US\$1 each were issued at par, equivalent to approximately RMB61,000.

(viii) Share sub-division, reclassification and re-designation of the share capital of the Company

On 27 January 2014, the board of directors and shareholders of the Company approved a share sub-division of the Company's share capital at a ratio of 1:20,000. As a result, the authorised share capital became US\$50,000 which was divided into 1,000,000,000 ordinary shares of par value of US\$0.00005 each, while the issued share capital became US\$10,000 which was divided into 200,000,000 ordinary shares of par value of US\$0.00005 each.

On 30 January 2014, the board of directors of the Company approved a re-designation and reclassification of authorised share capital into 914,285,716 ordinary shares of par value of US\$0.00005 each and 85,714,284 Series A non-redeemable convertible preferred shares of par value of US\$0.00005 each ("Series A Preferred Shares"). The key terms of the Series A Preferred Shares as summarised in Note (ix) below.

(ix) Issue of Series A Preferred Shares

On 31 January 2014, the Company entered into an agreement (“Subscription Agreement”) pursuant to which CMC Ace Holdings Limited (“Investor 1”) and KongZhong Corporation (“Investor 2”, collectively with Investor 1, the “Investors”) have agreed to subscribe for 57,142,856 Series A Preferred Shares and 28,571,428 Series A Preferred Shares, respectively, of par value of US\$0.00005 each at a price of US\$0.57330058 per share at an aggregate consideration of approximately US\$49,140,000 (equivalent to approximately RMB300,000,000), of which approximately US\$4,000 (equivalent to approximately RMB24,000) was credited to share capital and the balance of US\$49,136,000 (equivalent to approximately RMB299,976,000) was credited to the share premium account of the Company. The issuance of Series A Preferred Shares was completed on 10 February 2014. The major terms of the Series A Preferred Shares are summarised below:

(a) *Dividend rights*

The Investors are entitled to non-cumulative preferential dividends out of the profits of the Company, of which amount Investor 1, Investor 2 and the holders of ordinary shares of the Company shall be entitled to be paid 40%, 20% and 40%, respectively (“Aggregate Preference Amount”). After the Aggregate Preference Amount actually distributed equals RMB500,000,000, dividends available for distribution as and when declared by the Board, shall be distributed to the holders of ordinary shares of the Company and Series A Preferred Shares on pro rata and as-converted basis.

(b) *Voting rights*

The holders of Series A Preferred Shares may vote at general meetings of the Company in the same manner as holders of ordinary shares of the Company on an as-converted basis and not as a separate class.

(c) *Conversion feature*

Each holder of Series A Preferred Shares shall have the right, at such holder’s sole discretion, to convert all or part of its Series A Preferred Shares into such number of fully paid ordinary shares as is determined by dividing the original subscription price by the conversion price which equals to the original subscription price, subject to adjustment, including payment of share dividend, consolidation or subdivision of ordinary shares. In any of such events occur, the then applicable conversion price shall be adjusted so that the holders of Series A Preferred Shares shall be entitled to receive such number of ordinary shares to which it is entitled upon conversion as it would have been entitled to receive had the Series A Preferred Shares been converted immediately prior to such event. All Series A Preferred Shares will automatically be converted into ordinary shares upon the completion of a qualified IPO, as defined.

(d) *Other rights*

Each holder of Series A Preferred Shares shall have the right to appoint one director of the Company (the “Investor Director”) and shall have the exclusive right to remove and replace such Investor Director. Each holder of Series A Preferred Shares also have general veto rights and information rights to receive certain financial statements of and other information about the Company.

24. RESERVES**(a) Share premium**

For the purpose of this report, the share premium as at 31 December 2011, 2012 and 2013 represented the excess of the net proceeds from issuance of the shares of the companies comprising the Group to the Group over its par value. With the completion of the Reorganization on 28 January 2014, the Company became the holding company of the Group and the share premium as at 31 March 2014 represents the excess of the net proceeds from issuance of the shares of the Company over its par value, less any dividends paid out of the share premium account.

(b) Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing share holding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

(c) Share option reserve

Share option reserve represents the fair value of share options granted by the Company to employees recognised and is dealt with in accordance with the accounting policy set out in Note 2.16.

(d) Other reserve

Other reserve represent (i) capital reserve arises from capital contribution by the controlling shareholders; and (ii) the difference between the consideration and the carrying amount of the net assets attributable to the additional and reduction of interests in companies comprising the Group being acquired from and disposed to non-controlling equity holders respectively.

(e) Reserves of the Company

	Share premium	Translation reserve	Share option reserve	Accumulated losses	Total reserves
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At date of incorporation	—	—	—	—	—
Loss for the period	—	—	—	(1,358)	(1,358)
At 31 December 2013	—	—	—	(1,358)	(1,358)
Loss for the period	—	—	—	(7,710)	(7,710)
Currency translation differences	—	3	—	—	3
Issuance of Series A Preferred Shares					
(Note 23(ix))	299,976	—	—	—	299,976
Share issuance expenses	(607)	—	—	—	(607)
Share-based compensation (Note 25)	—	—	2,524	—	2,524
Dividends paid (Note 8)	(296,498)	—	—	—	(296,498)
At 31 March 2014	<u>2,871</u>	<u>3</u>	<u>2,524</u>	<u>(9,068)</u>	<u>(3,670)</u>

As at 31 December 2013 and 31 March 2014, there were no reserves available for distribution to equity holders of the Company.

25. SHARE-BASED COMPENSATION TRANSACTIONS

- (a) Shares awarded to employees by shareholders of Lianzhong in 2012 and the 2014 Replacement Share Options issued by Blink Milestones

During the year ended 31 December 2012, Mr Zhang Rongming and Mr Li Jianhua, agreed to award and transferred their 99.9% equity interest in Tongshengcheng (collectively, the “2012 Awarded Shares”) to certain employees of the Group (the “Participants”), at a consideration of approximately RMB7,493,000. The 2012 Awarded Shares were granted to recognise the Participants’ contributions and to give incentive to them in order to retain them for the continual growth and development of the Group. The limited partnership is incorporated in the PRC, engaged in investment holding and owned 10% equity interest in Lianzhong at the date of transfer.

The 2012 Awarded Shares are subject to a vesting scale in equal proportions of 25% on every anniversary date of the date of listing of the Company’s shares on any internationally recognised stock exchange (“Date of Listing”), starting from the first anniversary date until the fourth, and for the Participants remaining an employee of the Group until and on the relevant vesting dates. As at 31 December 2012 and 2013, the estimated Date of Listing is in 2014. The 2012 Awarded Shares are restricted for resale or pledge. The Participants are required to sell the 2012 Awarded Shares back to the general partner of Tongshengcheng at its purchase price upon resignation as employee of the Group. The Group has no legal or constructive obligation to repurchase or settle the 2012 Awarded Shares in cash. The 2012 Awarded Shares were accounted for as a share-based compensation transaction by way of capital contribution from the shareholders.

The fair value of the 2012 Awarded Shares at the date of grant was approximately RMB9,262,000. The fair value is estimated by reference to the difference between the consideration and the fair value of the underlying 10% equity interest of Lianzhong at the date of grant. The Company utilised a discounted cash flow method and market approach in determining the fair value of the underlying 10% equity interest of Lianzhong and the key assumption on valuation at the grant date includes the discount rate of 28% and projections of future performance.

As part of the Reorganization, Tongshengcheng transferred its entire interest of the issued share capital of Lianzhong to Mr Liu Jiang. In light of the fact that the partnership ceases to hold shares of Lianzhong, an agreement was entered between Blink Milestones, Tongshengcheng, the existing Participants, Lianzhong and the Controlling Shareholders on 20 February 2014, that the 2012 Awarded Shares will be cancelled, and replaced by the 12,152,381 options granted by Blink Milestones to the remaining Participants on the same date with the same vesting conditions (the “2014 Blink Milestones Share Options”). Blink Milestones is an investment holding company and owned 12.43% equity interest in the Company at the date of grant. The share options are valid for a period of 10 years from 20 February 2014 to 19 February 2024, with an exercise price of RMB0.2625 per share (subject to adjustment — note). The incremental fair value of the 2014 Blink Milestones Share Options of approximately RMB9,706,000 will be included in the measurement of share-based compensation expense from February 2014 to the end of the vesting period, in addition to the amount based on the grant date fair value of the 2012 Awarded Shares.

Note: The number of share options and exercise price are subject to adjustment upon certain events. Upon the completion of the Capitalisation Issue as detailed in Note 31, the number of share options and exercise price per share will be adjusted to 25,009,600 options in total, at an exercise price of RMB0.1276 per share, respectively.

The Group has no legal or constructive obligation to repurchase or settle the 2014 Blink Milestones Share Options in cash. The 2014 Blink Milestones Share Options entitle participants to obtain existing issued shares in the Company held by Blink Milestones and will not involve the Company issuing any new shares, the 2014 Blink Milestones Share Options were accounted for as a share-based compensation

transaction by way of capital contribution from the shareholders. Movements in the 2012 Awarded Shares and the 2014 Blink Milestones Share Options are stated below.

Movements in the 2012 Awarded Shares are as follows:

	Nominal value of 2012 Awarded Shares <u>RMB'000</u>
At 1 January 2012	—
Granted during the year	7,493
Forfeited during the year	(541)
At 31 December 2012	6,952
Forfeited during the year	(3,195)
At 31 December 2013	3,757
Forfeited during the period	(92)
Cancelled and replaced during the period	(3,665)
As at 31 March 2014	<u>—</u>

Movements in the number of 2014 Blink Milestones Share Options outstanding and their related weighted average exercise prices are as follows:

	<u>Average exercise price in RMB per share option</u>	<u>Number of share options</u>
As at 31 December 2013 and as at 1 January 2014		—
Granted during the period	0.2625	12,152,381
As at 31 March 2014		<u>12,152,381</u>

For the 2014 Blink Milestones Share Options, the directors have used the discounted cash flow method and market approach to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the underlying share value of the Company and the key assumption on valuation at the grant date includes the discount rate of 20% and projections of future performance and have used the Binomial option-pricing model to determine the total fair value of the options granted. The inputs into the model are as follows:

	<u>20 February 2014</u>
Exercise price	RMB0.2625
Expected volatility	50%
Expected life	10 years
Risk-free rate	4.6792%
Expected dividend yield	—

(b) Management Pre-IPO Share Option Scheme of the Company in 2014

Pursuant to an unanimous written resolution of the Board of Directors of the Company (the "Board") on 7 March 2014, a share option scheme ("Management Pre-IPO Share Option Scheme") and respective share options granted by the Company on 20 February 2014 was adopted and ratified by the Board. The Management Pre-IPO Share Option Scheme was adopted for the purpose of providing participants an opportunity to acquire proprietary interests in the Company and help motivate such participants to optimize their performance and efficiency, and also to help retain the participants for the continual growth

and development of the Group. The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the Management Pre-IPO Share Option Scheme must not in aggregate exceed 6% of the issued share capital of the Company after an IPO, as defined. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

During the three months ended 31 March 2014, share options (in aggregate to purchase 6% of the issued share capital of the Company after an IPO) were granted by the Company on 20 February 2014 to senior management of the Group with estimated total fair value of approximately RMB52,870,000. The exercise price of the share options granted is US\$0.34398035 per share (subject to adjustment). The share options are valid for a period of 10 years from 20 February 2014 to 19 February 2024. Twenty five percent (25%) of options granted shall vest on the first anniversary of the grant date, and the remaining options granted shall vest on 36 equal monthly instalments with the first instalment vesting upon the 13th monthly anniversary of the grant date and each of the remaining instalments vesting on each monthly anniversary of the 13th monthly anniversary of the grant date, and for the participant continuing to be an employee of the Group or director of the Company until and on the relevant vesting dates. In addition, the share options are only exercisable after the completion of an IPO ("performance condition"). None of the share options granted were lapsed or exercised during the three months ended 31 March 2014.

Movements in the number of share options outstanding are as follows:

	<u>Number of share options</u>
As at 31 December 2013 and as at 1 January 2014	—
Granted during the period (note)	50,042,553
As at 31 March 2014	<u>50,042,553</u>

Note: For the purpose of this report, the management has estimated that the issued share capital of the Company after an IPO will be 784,000,000 ordinary shares of the Company with par value of US\$0.00005 each. Hence, share options in aggregate to purchase 6% of the issued share capital of the Company after an IPO equates to 50,042,553 share options. Upon the completion of the Capitalisation Issue as detailed in Note 31, the exercise price will be adjusted from US\$0.34398035 per share to US\$0.16714303 per share.

As at 31 March 2014, no share options were exercisable as the performance condition has not been met. The weighted average remaining contractual life of the options outstanding at 31 March 2014 was 10 years.

The directors have used the discounted cash flow method and market approach to determine the underlying equity fair value of the Company and adopted equity allocation method to determine the fair value of the underlying share value of the Company and the key assumption on valuation at the grant date includes the discount rate of 20% and projections of future performance. Based on the fair value of the underlying share value of the Company, the directors have used the Binomial option-pricing model to determine the fair value of the options granted. The weighted average fair value of options granted during the period was RMB1.0565 (equivalent to approximately US\$0.1722) per option. The inputs into the model were as follows:

	<u>20 February 2014</u>
Exercise price	US\$0.34398035
Expected volatility	50%
Expected life	10 years
Risk-free rate	4.6792%
Expected dividend yield	—

- (c) The Group recognised a total expense of nil, RMB1,049,000, RMB490,000 and RMB3,056,000 for each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2014 in relation to the above share awards or share options granted by the shareholders or the Company during the Relevant Periods.

26. COMMITMENTS

(a) Capital commitments

At the end of each reporting period, the Group had the following capital commitments:

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
Contracted but not provided for in the Financial Information:				
Expenditure in respect of acquisition of intangible assets	2,527	1,287	1,000	1,000
Expenditure in respect of other investments	—	2,000	—	—
	<u>2,527</u>	<u>3,287</u>	<u>1,000</u>	<u>1,000</u>

(b) Operating lease commitments

The Group leases its servers, lines, office and various residential properties under non-cancellable operating lease agreements. The leases have varying lease terms and renewal rights. At the end of each reporting period, the total future minimum lease payments payable by the Group under non-cancellable operating leases are as follows:

	As at 31 December			As at
	2011 RMB'000	2012 RMB'000	2013 RMB'000	31 March 2014 RMB'000
Within one year	4,768	8,738	9,428	11,257
In the second to fifth year inclusive	369	2,393	18,415	16,765
	<u>5,137</u>	<u>11,131</u>	<u>27,843</u>	<u>28,022</u>

27. SIGNIFICANT NON-CASH TRANSACTIONS

- (i) During each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, addition of intangible assets of nil, RMB2,500,000, nil, nil and nil respectively was acquired by utilisation of deposits paid in the prior years.
- (ii) During the year ended 31 December 2011, Beijing Lianzhong Network Technology Company Limited (北京聯眾網絡技術有限責任公司, “Lianzhong Internet”), a wholly owned subsidiary of Lianzhong, has merged its business, assets and liabilities into Lianzhong. As a result, the Group has transferred RMB7,106,000 from accumulated profits to other reserve. The merge has no other accounting impact to the Financial Information. Upon completion, Lianzhong Internet was subsequently deregistered on 1 November 2012.
- (iii) During the year ended 31 December 2011, Wildwolf has assigned an amount due to Lianzhong Digital Amusement Technology (Beijing) Co., Ltd (聯眾數字娛樂科技(北京)有限公司, “Lianzhong Digital”), of approximately RMB27,883,000 to Lianzhong. Accordingly, the amount due from Wildwolf was increased by RMB27,883,000 and the amount due from Lianzhong Digital was set off

by RMB27,883,000. Wildwolf and Lianzhong Digital are companies owned and controlled by the Controlling Shareholders of the Company.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to the transactions/information disclosed elsewhere in these financial information, during the Relevant Periods, the Group had the following material transactions with related parties:

Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	Year ended 31 December			Three months ended 31 March	
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2013 RMB'000 (Unaudited)	2014 RMB'000
Basic salaries and allowances	1,274	1,274	1,274	319	371
Discretionary bonus	560	1,132	—	—	131
Retirement benefit scheme contributions	—	36	57	14	19
Share-based compensation expense	—	—	—	—	2,524
	<u>1,834</u>	<u>2,442</u>	<u>1,331</u>	<u>333</u>	<u>3,045</u>

29. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

(a) Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statements of financial position relate to the following categories of financial assets and financial liabilities.

	As at 31 December			As at 31 March
	2011 RMB'000	2012 RMB'000	2013 RMB'000	2014 RMB'000
Financial assets				
Loans and receivables				
Trade and other receivables	22,214	21,927	57,652	70,466
Loans to shareholders	150	—	25,000	—
Amount due from former holding company	27,883	—	—	—
Bank balances and cash	31,681	95,587	58,716	95,069
Available-for-sale financial assets	5,000	5,000	5,000	9,000
	<u>86,928</u>	<u>122,514</u>	<u>146,368</u>	<u>174,535</u>
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables	23,623	24,251	27,747	32,514

(b) *Foreign currency risk*

The Group mainly operates in the PRC and majority of the transactions are settled in RMB. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2011, 2012 and 2013 and 31 March 2014, the Group did not have significant foreign currency risk from its operations.

(c) *Interest rate risk*

Other than the interest-bearing bank deposits, the Group has no other significant interest-bearing assets. The directors of the Company do not anticipate there is any significant impact to interest-bearing assets resulted from the changes in interest rates, because the interest rates of bank balances are not expected to change significantly.

(d) *Price risk*

The Group is exposed to price risk in relation to the Group's investment in unlisted trust funds which are carried at fair value. The sensitivity analysis is determined based on the exposure to price risk of the unlisted trust funds held by the Group at the end of each reporting period. If the fair value of the respective instrument held by us had been 5% higher/lower, the revaluation reserve would have been increased/decreased by RMB250,000, nil, RMB250,000, nil and RMB450,000 respectively, and no change in post-tax profit would have been expected for each of the years ended 31 December 2011, 2012 and 2013 and the three months ended 31 March 2013 and 2014, respectively.

The Group is not exposed to price risk for the Group's equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured at cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition.

(e) *Credit risk*

The Group is exposed to credit risk in relation to its cash and deposits and trade and other receivables.

The carrying amounts of each class of the financial assets as summarised in Note 29(a) above represent the Group's maximum exposure to credit risk in relation to financial assets. To manage this risk arising from cash and deposits, the Group only transacts with state-owned financial institutions and reputable commercial banks which are all high-credit-quality financial institutions in the PRC. There has been no recent history of default in relation to these financial institutions.

Trade receivables at the end of each reporting period were due from distribution channels and payment vendors in cooperation with the Group. If the strategic relationship with the distribution channels and payment vendors is terminated or scaled-back; or if the distribution channels and payment vendors alter the co-operative arrangements; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability.

To manage this risk, the Group maintains frequent communications with the distribution channels and payment vendors to ensure the effective credit control. In view of the history of cooperation with the distribution channels and payment vendors and the sound collection history of receivables due from them, the directors of the Company believe that the credit risk inherent in the Group's outstanding trade receivable balances due from the distribution channels and payment vendors is low.

For other receivables, management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The directors of the Company believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

(f) *Liquidity risk*

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents. Due to the dynamic nature of the underlying business, the Group aims to maintain flexibility in funding by maintaining adequate cash and cash equivalents.

At the end of each reporting period, all of the Group's and the Company's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period from the reporting dates to the contractual maturity dates were due within one year. The contractual undiscounted cash flows equal to their carrying balances as the impact of discounting is not significant.

(g) *Fair value measurements recognised in the consolidated statements of financial position*

The following table presents financial assets and liabilities measured at fair value in the consolidated statements of financial position in accordance with the fair value hierarchy. The hierarchy groups financial assets and liabilities into three levels based on the relative reliability of significant inputs used in measuring the fair value of these financial assets and liabilities. The fair value hierarchy has the following levels:

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

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The financial assets and liabilities measured at fair value in the consolidated statements of financial position are grouped into the fair value hierarchy as follows:

	As at 31 December			As at
	2011 Level 2 RMB'000	2012 Level 2 RMB'000	2013 Level 2 RMB'000	31 March 2014 Level 2 RMB'000
Assets				
Available-for-sale financial assets				
Unlisted trust funds	5,000	—	5,000	9,000

The fair value of unlisted trust funds is determined by reference to the net asset value of the underlying investment in the equity fund.

30. CAPITAL MANAGEMENT

The objectives of the Group when managing capital are to safeguard the ability of the Group in continuing as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital by regularly reviewing the capital structure. As part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

31. SUBSEQUENT EVENTS

Save as disclosed elsewhere in this report, the following significant events took place subsequent to 31 March 2014:

(a) *Increase in authorised share capital and Capitalisation Issue*

Increase in authorised share capital of Series A Preferred Shares

Pursuant to the written resolutions of the shareholders passed on 12 June 2014, the total authorised share capital of the Company (immediately prior to the Capitalisation Issue as described below) was increased from US\$50,000 to approximately US\$55,000 by the creation of an additional 90,685,716 Series A Preferred Shares of a par value of US\$0.00005 each.

Capitalisation Issue

On the same date, the shareholders have approved and the Directors are authorised to capitalise an amount of approximately US\$15,000 standing to the credit of the share premium account to be applied in paying up in full 211,600,000 ordinary shares of US\$0.00005 each and 90,685,716 non-redeemable convertible Series A Preferred Shares of US\$0.00005 each to be allotted and distributed as fully paid to shareholders whose names appeared on the register of members of the Company immediately before Listing, in the proportion to their then existing shareholdings in the Company.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to 31 March 2014. Save as disclosed in this report, no dividend or distribution has been declared or paid by the Company or any of the companies now comprising of the Group in respect of any period subsequent to 31 March 2014.

Yours faithfully,
Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

Lin Ching Yee Daniel
Practising Certificate No: P02771

The following information does not form part of the Accountant's Report from the Company's reporting accountant, Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, as set out in Appendix I to this prospectus, and is included herein for information purposes only. The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set out in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted net tangible assets of the Group prepared in accordance with Rule 4.29 of the Listing Rules is for illustrative purposes only, and is set out below to illustrate the effect of the Global Offering on the net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2014 as if the Global Offering had taken place on that date.

The unaudited pro forma statement of adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the consolidated net tangible assets of the Group as at 31 March 2014 or at any future date. The unaudited pro forma statement of adjusted net tangible assets of the Group is prepared based on the audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2014 as set out in the Accountant's Report of the Company, the text of which is set out in Appendix I to this prospectus, and adjusted as described below. The unaudited pro forma statement of adjusted net tangible assets does not form part of the Accountant's Report.

	Audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2014	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company	Unaudited pro forma adjusted net tangible assets per Share	
	RMB'000 (Note 1)	RMB'000 (Note 2)	RMB'000	RMB (Note 3)	HK\$
Based on the Offer Price of HK\$3.70 per Share	129,742	529,197	658,939	0.84	1.06
Based on the Offer Price of HK\$4.80 per Share	129,742	693,542	823,284	1.05	1.32

Notes:

- (1) The audited consolidated net tangible assets of the Group attributable to equity holders of the Company as at 31 March 2014 is extracted from the Accountant's Report of the Company as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as at 31 March 2014 of RMB173,140,000 with an adjustment for the intangible assets as at 31 March 2014 of RMB43,398,000.
- (2) The estimated net proceeds from the Global Offering are based on the Offer Price of HK\$3.70 and HK\$4.80 per Share after deduction of the underwriting fees and commissions and other estimated listing-related expenses (excluding listing-related expenses of approximately RMB7,353,000 which have been accounted for prior to 31 March 2014) payable by the Company and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis of 784,000,000 Shares (being the number of Shares expected to be in issue immediately after completion of the Global Offering). No account has been taken of the Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (4) No adjustment has been made to reflect any trading result or other transactions of the Group entered into subsequent to 31 March 2014.
- (5) For the purpose of this unaudited pro forma statement of adjusted net tangible assets, the balances stated in Renminbi are converted into Hong Kong dollars at the rate of HK\$1.00 to RMB0.79486.

B. REPORT FROM THE REPORTING ACCOUNTANT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from Grant Thornton Hong Kong Limited, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A PROSPECTUS****TO THE DIRECTORS OF OURGAME INTERNATIONAL HOLDINGS LIMITED**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Ourgame International Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at 31 March 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on page II-1 of the Company's prospectus dated 18 June 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on page II-1.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as at 31 March 2014 as if the proposed initial public offering had taken place at 31 March 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the period ended 31 March 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

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

Reporting Accountant's Responsibilities

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

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

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

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at 31 March 2014 would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

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

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Grant Thornton Hong Kong Limited

Certified Public Accountants

Level 12

28 Hennessy Road

Wanchai

Hong Kong

18 June 2014

Lin Ching Yee Daniel

Practising Certificate No: P02771

1 Memorandum of Association

The Memorandum of Association was conditionally adopted on 12 June 2014 and effective on the Listing Date and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection as referred to in the paragraph headed in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus.

2 Articles of Association

The Articles of Association were conditionally adopted on 12 June 2014 and effective on the Listing Date and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The authorised share capital of the Company at the date of adoption of the Articles of Association is US\$500,000 divided into 10,000,000,000 ordinary shares of US\$0.00005 each.

2.2 Directors

(a) *Power to allot and issue Shares*

Subject to the provisions of the Companies Law and the Memorandum of Association and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed.

(b) *Power to dispose of the assets of the Company or any subsidiary*

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the articles of association of the Company expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not by the articles of association of the Company or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the articles of association of the Company and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the articles of association of the Company, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

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(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;
- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;

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- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

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. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of

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Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company 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. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the dispatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled 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 the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;
- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) *Borrowing powers*

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) *Proceedings of the Board*

The Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 *Alteration to constitutional documents*

No alteration or amendment to the Memorandum of Association or Articles of Association may be made except by special resolution.

2.4 *Variation of rights of existing shares or classes of shares*

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 *Alteration of capital*

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so

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sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;

- (b) 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, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its 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 Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an "ordinary resolution" is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such

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joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorised in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the Listing Rules to be voted on by a show of hands.

If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorise) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case

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of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive 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 time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) 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% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;

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- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

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

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or

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bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such 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 its 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. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company 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.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed 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 taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for

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such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

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 Companies Law, divide amongst the members of the Company 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 of the Company. The liquidator may, with the like sanction, vest the whole or any part of such assets

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in trustees upon such trusts for the benefit of the members of the Company as the liquidator, with the like sanction and subject to the Companies Law, shall think fit, but so that no member of the Company shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.

2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1 Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 4 December 2013 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premiums on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premiums on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;

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- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph above for details).

5 Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative

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actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6 Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7 Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8 Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9 Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10 Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11 Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14 Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15 Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16 Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17 Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18 Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19 Taxation

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20 Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21 General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the paragraph headed "Documents Available For Inspection" in

**APPENDIX III SUMMARY OF THE CONSTITUTION OF THE COMPANY AND
CAYMAN ISLANDS LAW**

Appendix V to this prospectus. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR COMPANY**1. Incorporation**

Our Company was incorporated under the laws of the Cayman Islands on 4 December 2013. Our Company has been registered in Hong Kong under Part 16 of the Companies Ordinance as a non-Hong Kong company. Our Company's registered office is at the offices of Maples Corporate Services Limited, PO Box 309, Umland House, Grand Cayman, KY1-1104, Cayman Islands. A summary of various parts of the Articles of Association is set out in Appendix III to this prospectus.

2. Changes in share capital of our Company

Our Company was incorporated with an authorised share capital of US\$50,000 divided into 50,000 Shares with a nominal value of US\$1.00 each.

The following sets out the changes in the Company's issued share capital since its incorporation.

- (a) On 4 December 2013, our Company allotted and issued 10,000 shares at a nominal value of US\$1.00 each. On the same day, the Company issued 3,000, 2,679, 870, 1,607, 761, 536 and 547 shares to Elite Vessles Limited (100% owned by Mr Zhang), Sonic Force Limited (100% owned by Mr Liu), Blink Milestones Limited (100% owned by Mr Liu), Prosper Macrocosm Limited (100% owned by Mr Shen), Iconnic Ocean Limited (100% owned by Mr Bao Yueqiao), Golden Liberator Limited (100% owned by Ms Long) and Celestial Radiant Limited (100% owned by Ms Wu Lan), representing approximately 30.00%, 26.79%, 8.70%, 16.07%, 7.61%, 5.36% and 5.47% of the equity interest in our Company, respectively.
- (b) On 10 February 2014, our Company completed the Pre-IPO Investment, as a result of which 57,142,856 Series A Preferred Shares are held by CMC and 28,571,428 Series A Preferred Shares are held by KongZhong, representing approximately 20.00% and 10.00% of the total issued share capital of our Company.
- (c) Immediately following completion of the Capitalisation Issue and the Global Offering but not taking into account any Shares which may be allotted and issued pursuant to the exercise of the options which may be granted under the Management Pre-IPO Share Option Scheme and the exercise of the Over-allotment Option, the authorised share capital Company will be US\$50,000 divided into 1,000,000,000 Shares, of which 784,000,000 Shares will be credited as fully paid, and 216,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Over-allotment Option and the Management Pre-IPO Share Option Scheme, our Company does not have any present intention to issue any of the authorised but unissued share capital and, no issue of Shares will be made which would effectively alter the control of our Company within 12 months from the Listing Date.

Save as disclosed herein and in the sub-paragraph "Written resolutions of the shareholders passed on 12 June 2014" in this Appendix, there has been no alteration in the share capital of our Company since its incorporation.

3. Changes in share capital of our subsidiaries and PRC Operating Entities

Our Company's subsidiaries and PRC Operating Entities are set out in the Accountant's Report in Appendix I to this prospectus. In addition to those disclosed in the sub-paragraphs headed "Changes in share capital of our Company" in this Appendix, the following alterations in the share or registered capital of our Company's subsidiaries and PRC Operating Entities have taken place within the two years immediately preceding the date of this prospectus:

Lianzhong Hong Kong

On 18 December 2013, Lianzhong Hong Kong, a direct wholly-owned subsidiary of our Company, was incorporated in Hong Kong. The registered share capital of Lianzhong Hong Kong is HK\$10,000 divided into 10,000 shares of HK\$1.00 each.

The WFOE

On 21 January 2014, the WFOE was incorporated in the PRC. As the date of incorporation, the registered share capital was US\$350,000 and Lianzhong Hong Kong is the WFOE's sole shareholder.

Lianzhong

Lianzhong Computer, as the predecessor to Lianzhong, our principal PRC Operating Entity, was incorporated as a limited company in China on 23 March 1998.

On 20 June 2012, Lianzhong Computer increased its share capital by RMB1,660,280.97 to RMB12,771,392.08, all of which was contributed by Jiuding. After the capital increase, each of Tongshengcheng, Jiuding, Yile Shenglian, Mr Bao Yueqiao, Ms Long, Mr Li Jianhua, Mr Shen, Mr Liu and Mr Zhang held 8.70%, 13.00%, 4.70%, 6.53%, 4.59%, 7.35%, 13.78%, 22.97% and 18.38% of the issued share capital of Lianzhong Computer respectively.

On 22 August 2012, Lianzhong Computer increased its share capital from RMB12,771,392.08 to RMB72,000,000, which was contributed by Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Mr Bao Yueqiao, Ms Long, Yile Shenglian, Tongshengcheng and Jiuding, respectively. After such increase, Mr Zhang, Mr Liu, Mr Shen, Mr Li Jianhua, Mr Bao Yueqiao, Ms Long, Yile Shenglian, Tongshengcheng and Jiuding held 18.38%, 22.97%, 13.78%, 7.35%, 6.53%, 4.59%, 4.70%, 8.70% and 13.00% of the issued share capital, respectively. On the same date, Lianzhong Computer changed its corporate form from limited liability company (有限責任公司) to joint stock limited liability company (股份有限公司) and changed its name to "Beijing Lianzhong Co., Ltd (北京聯眾互動網絡股份有限公司)".

Shanghai Yaozhong

On 6 July 2012, Shanghai Yaozhong was incorporated as a limited company in China. As of the date of incorporation, the registered share capital was RMB2,000,000, of which 51% was contributed by Shanghai Yaozhong and 49% was contributed by Shanghai Yaoji Playing Card Co., Ltd. (上海姚記撲克股份有限公司), an independent third party.

Shanghai Lianzhong

On 23 October 2013, Shanghai Lianzhong was incorporated as a limited company in China. As of the date of incorporation, the registered share capital of Shanghai Lianzhong was RMB10 million and Lianzhong was the sole shareholder.

Lianzhong Treasury Land

On 29 June 2012, Lianzhong Treasury Land was incorporated as a limited company in the BVI. As of the date of incorporation, the registered share capital of Lianzhong Treasury Land was US\$100 and divided into 100 shares. Lianzhong International was the sole shareholder of Lianzhong Treasury Land.

Lianzhong Shouyou

On 24 February 2014, Lianzhong Shouyou was incorporated as a limited company in China. As of the date of incorporation, the registered share capital of Lianzhong Shouyou was RMB5,000,000 and Lianzhong was the sole shareholder.

Tianjin Zhangzhong

On 9 April 2014, Tianjin Zhangzhongshangku Technology Co., Ltd. (天津掌中尚酷科技有限公司) ("Tianjin Zhangzhong") was incorporated as a limited company in China. As of the date of incorporation, the registered

share capital of Tianjin Zhangzhong was RMB1,000,000. Shanghai Lianzhong is the sole shareholder of Tianjin Zhangzhong.

Tianjin Wanlian

On 9 April 2014, Tianjin Wanlianshifang Technology Co., Ltd. (天津萬聯十方科技有限公司) (“**Tianjin Wanlian**”) was incorporated as a limited company in China. As of the date of incorporation, the registered share capital of Tianjin Wanlian was RMB1,000,000. Shanghai Lianzhong is the sole shareholder of Tianjin Wanlian.

Save as aforesaid, there have been no other alterations in the share or registered capital of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

4. Written resolutions of the Shareholders passed on 12 June 2014

By written resolutions of the Shareholders passed on 12 June 2014:

- (a) conditional on the same conditions as stated in the paragraph headed “Conditions of the Hong Kong Public Offering” in the section headed “Structure of the Global Offering” of this prospectus being fulfilled:
 - (i) the Global Offering (including the Over-allotment Option) was approved, and the proposed allotment and issue of the Offer Shares under the Global Offering was approved, and the Directors were authorised to determine the Offer Price for, and to allot and issue the Offer Shares;
 - (ii) the authorised share capital of the Company was increased to US\$54,534.29 divided into 914,285,716 ordinary shares of a par value of US\$0.00005 each and 176,400,000 Series A Preferred Shares of a par value of US\$0.00005 each effective immediately prior to the Capitalisation Issue;
 - (iii) the Capitalisation Issue and the subsequent conversion of all issued Series A Preferred Shares to ordinary shares were approved;
 - (iv) immediately after the completion of the conversion of all issued Series A Preferred Shares to ordinary shares, 176,400,000 Series A Preferred Shares of a par value of US\$0.00005 each in the authorised share capital of the Company were re-classified and re-designated into ordinary shares of a par value of US\$0.00005 and the authorised share capital was increased to US\$500,000 divided into 10,000,000,000 ordinary shares of a par value of US\$0.00005 each effective immediately prior to the completion of the Listing; and
 - (v) conditional further upon the Listing Committee of the Stock Exchange granting approval of the listing of and permission to deal in the Shares which may fall to be issued pursuant to the exercise of any options granted under the Management Pre-IPO Share Option Scheme, the rules of the Management Pre-IPO Share Option Scheme was approved and adopted and the Directors were authorised to make such further changes to the Management Pre-IPO Share Option Scheme as may be required by the Stock Exchange and which they deem necessary and/or desirable and to grant options to eligible participants to acquire Shares thereunder and to allot, issue and deal with Shares pursuant thereto and to take all such actions as they consider necessary and/or desirable to implement or give effect to the Management Pre-IPO Share Option Scheme.
- (b) a general unconditional mandate was given to our Directors to exercise all powers of our Company to allot, issue and deal with Shares or securities convertible into Shares and to make or grant offers, agreements or options (including any warrants, bonds, notes and debentures conferring any rights to subscribe for or otherwise receive Shares) which might require Shares to be allotted and issued or dealt with subject to the requirement that the aggregate nominal value of the Shares so allotted and issued or agreed conditionally or unconditionally to be allotted and issued, otherwise than by way of the Global

Offering, a rights issue, any scrip dividend scheme or similar arrangements, any adjustment of rights to subscribe for Shares under options and warrants or a special authority granted by our shareholders or pursuant to the exercise of any options which may be granted under the Management Pre-IPO Share Option Scheme or upon the exercise of the Over-allotment Option, shall not exceed 20% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;

- (c) a general unconditional mandate was given to our Directors to exercise all powers of our Company to purchase on the Stock Exchange or on any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, such number of Shares as will represent up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option;
- (d) the general unconditional mandate as mentioned in paragraph (b) above was extended by the addition to the aggregate nominal value of the Shares which may be allotted and issued or agreed to be allotted and issued by our Directors pursuant to such general mandate of an amount representing the aggregate nominal value of the Shares purchased by our Company pursuant to the mandate to purchase Shares referred to in paragraph (c) above (up to 10% of the aggregate nominal value of the Shares in issue immediately following completion of the Global Offering, excluding any Shares which may fall to be issued pursuant to the exercise of the Over-allotment Option); and
- (e) our Company approved and adopted the Memorandum and Articles of Association.

Each of the general mandates referred to in paragraphs (b) and (c) above will remain in effect until whichever is the earliest of (1) the conclusion of the next annual general meeting of our Company; (2) the expiration of the period within which the next annual general meeting of our Company is required to be held by any applicable law or the Articles of Association; or (3) the time when such mandate is revoked or varied by an ordinary resolution of the Shareholders in general meeting.

5. Corporate reorganization

The Group underwent a reorganization in preparation for the Listing. For details of the reorganization, please refer to the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus.

6. Summary of material contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or our subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) an investment agreement dated 17 August 2012 between Beijing Lianzhong Computer Technology Co., Ltd. (北京聯眾電腦技術有限責任公司) and Liang Rong (梁戎);
- (b) an investment agreement in relation to Beijing Linghegu Online Technology Co., Ltd. (北京零禾谷網絡科技有限責任公司) dated 29 Sep 2013 among Lianzhong, Liang Rong (梁戎), Xu Dan (徐丹), Gao Jinliang (高晉亮), Lv Sujun (呂素君), Yu Lipai (俞力培) and Beijing Linghegu Online Technology Co., Ltd. (北京零禾谷網絡科技有限責任公司);
- (c) the Pre-IPO Share Subscription Agreement;
- (d) the Shareholders Agreement;
- (e) a letter dated 13 March 2014 in relation to the Shareholders Agreement among Sonic Force Limited, Blink Milestones Limited, Liu Jiang, Elite Vessels Limited, Zhang Rongming, Prosper Macrocosm

Limited, Shen Dongri, Iconic Ocean Limited, Bao Yueqiao, Golden Liberator Limited, Long Qi, Celestial Radiant Limited, Wu Lan, the Company, Beijing Lianzhong Garden Network Technology Co., Ltd., Lianzhong, CMC Ace Holdings Limited and KongZhong Corporation;

- (f) a master exclusive service agreement dated 28 January 2014 between Beijing Lianzhong Garden Network Technology Co., Ltd. and Lianzhong;
- (g) a business cooperation agreement dated 28 January 2014 among Beijing Lianzhong Garden Network Technology Co., Ltd., Lianzhong, Jiang Liu, Rongming Zhang, Dongri Shen, Yueqiao Bao, Qi Long and Lan Wu;
- (h) a proxy agreement and power of attorney dated 28 January 2014 among Beijing Lianzhong Garden Network Technology Co., Ltd., Lianzhong, Jiang Liu, Rongming Zhang, Dongri Shen, Yueqiao Bao, Qi Long and Lan Wu;
- (i) an exclusive option agreement dated 28 January 2014 among Beijing Lianzhong Garden Network Technology Co., Ltd., Lianzhong, Jiang Liu, Rongming Zhang, Dongri Shen, Yueqiao Bao, Qi Long and Lan Wu;
- (j) a share pledge agreement dated 28 January 2014 among Jiang Liu, Rongming Zhang, Dongri Shen, Yueqiao Bao, Qi Long and Lan Wu and Beijing Lianzhong Garden Network Technology Co., Ltd.;
- (k) the Cornerstone Investment Agreement; and
- (l) the Hong Kong Underwriting Agreement.

B. PURCHASE BY THE COMPANY OF ITS OWN SECURITIES

This section includes information required by the Stock Exchange to be included in this prospectus concerning such the purchase by us of our own securities.

1. Provisions of the Listing Rules

The Listing Rules permit companies whose primary listing is on the Stock Exchange to purchase their securities on the Stock Exchange subject to certain restrictions, the most important of which are summarised below:

(a) Shareholders' approval

The Listing Rules provide that all purchases of securities on the Stock Exchange by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution of shareholders, either by way of general mandate or by specific approval in relation to specific transactions.

(b) Source of funds

Purchases must be funded out of funds legally available for the purpose in accordance with the Memorandum and Articles of Association and the applicable laws and regulations of Hong Kong. A listed company may not purchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange from time to time. Any purchases by the Company may be made out of profits or out of an issue of new shares made for the purpose of the purchase or, if authorised by its Memorandum and Articles of Association and subject to the Companies Ordinance, out of capital, and, in the case of any premium payable on the purchase out of profits or from sums standing to the credit of our share premium account or, if authorised by its Memorandum and Articles of Association and subject to the Companies Ordinance, out of capital.

(c) Status of repurchased shares

The listing of all purchased securities (whether on the Stock Exchange or, otherwise) is automatically cancelled and the relative certificates must be cancelled and destroyed. Under Hong Kong law, a company's purchased

shares shall be treated as cancelled and the amount of the company's issued share capital shall be reduced by the aggregate nominal value of the purchased shares accordingly although the authorised share capital of the company will not be reduced.

(d) Connected parties

The Listing Rules prohibit a company from knowingly purchasing securities on the Stock Exchange from a "connected person", that is, a director, chief executive or substantial shareholder of the company or any of its subsidiaries or their respective associates (as defined in the Listing Rules) and a connected person shall not knowingly sell his securities to the company.

2. Reasons for repurchases

Our Directors believe that it is in the best interests of our Company and Shareholders for our Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made where our Directors believe that such repurchases will benefit our Company and Shareholders.

3. General









- (a) None of our Directors, to the best of their knowledge having made all reasonable enquiries, any of their associates (as defined in the Listing Rules) currently intends to sell any Shares to our Company.
- (b) Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the Repurchase Mandate in accordance with the Listing Rules and the applicable laws and regulations of Hong Kong.
- (c) If, as a result of any repurchase of Shares, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with rule 26 of the Takeovers Code. Save as aforesaid, our Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the Repurchase Mandate.
- (d) No connected person (as defined in the Listing Rules) has notified our Company that he/she has a present intention to sell Shares to our Company, or has undertaken not to do so, if the Repurchase Mandate is exercised.






C. INTELLECTUAL PROPERTY RIGHTS OF OUR GROUP

1. Trademarks





As of the Latest Practicable Date, the Group had registered the following trademarks which are material in relation to our Group's business:

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
1.	联众	PRC	Lianzhong	42	1483307	27/11/2020
2.	联众俱乐部	PRC	Lianzhong	35	1774471	20/05/2022
3.	联众俱乐部	PRC	Lianzhong	36	1727541	06/03/2022
4.	联众俱乐部	PRC	Lianzhong	39	1663929	06/11/2021
5.	联众俱乐部	PRC	Lianzhong	40	1719783	20/02/2022
6.	联众俱乐部	PRC	Lianzhong	41	1744822	06/04/2022
7.	联众	PRC	Lianzhong	9	10268472	20/09/2023
8.	联众	PRC	Lianzhong	41	10268485	13/03/2023
9.	联众	PRC	Lianzhong	42	10268484	06/02/2023
10.	lianzhong	PRC	Lianzhong	9	10268418	27/04/2023
11.	lianzhong	PRC	Lianzhong	41	10268442	06/02/2023
12.	lianzhong	PRC	Lianzhong	42	10268441	06/02/2023
13.		PRC	Lianzhong	9	10268498	06/02/2023
14.		PRC	Lianzhong	41	10268497	06/02/2023
15.		PRC	Lianzhong	42	10268496	06/02/2023
16.		PRC	Lianzhong	9	10268495	06/02/2023

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
17.		PRC	Lianzhong	41	10268494	06/02/2023
18.		PRC	Lianzhong	42	10268493	06/02/2023
19.	联众天天斗地主	PRC	Lianzhong	41	10445471	20/06/2023
20.		PRC	Lianzhong	9	10602155	06/05/2023
21.		PRC	Lianzhong	28	10602151	06/05/2023
22.		PRC	Lianzhong	41	10602147	06/05/2023
23.		PRC	Lianzhong	9	10602158	06/05/2023
24.		PRC	Lianzhong	28	10602154	20/07/2023
25.		PRC	Lianzhong	9	10602157	06/05/2023

No.	Trademark	Place of Registration	Registered Owner	Class	Registration Number	Expiry Date (dd/mm/yyyy)
26.		PRC	Lianzhong	28	10602153	06/05/2023
27.		PRC	Lianzhong	41	10602149	06/05/2023
28.		PRC	Lianzhong	9	10602156	06/05/2023
29.		PRC	Lianzhong	28	10602152	06/05/2023
30.		PRC	Lianzhong	41	10602148	06/05/2023

As of the Latest Practicable Date, the Group have applied for registration of the following trademarks:

No.	Trademark	Applicant	Class	Application Number	Application Date (dd/mm/yyyy)
1.		Lianzhong	9	11607889	16/10/2012
2.		Lianzhong	28	11607888	16/10/2012
3.		Lianzhong	41	11608047	16/10/2012
4.		Lianzhong	42	11608050	16/10/2012

No.	Trademark	Applicant	Class	Application Number	Application Date (dd/mm/yyyy)
5.	Lianzhong CPT	Lianzhong	9	11607893	16/10/2012
6.	Lianzhong CPT	Lianzhong	28	11607892	16/10/2012
7.	Lianzhong CPT	Lianzhong	41	11607891	16/10/2012
8.	Lianzhong CPT	Lianzhong	42	11607890	16/10/2012
9.	lianzhong	Lianzhong	11	10268420	05/12/2011
10.		Lianzhong	41	10602150	12/03/2012
11.	联众	Lianzhong	1	10268457	05/12/2011
12.	联众	Lianzhong	7	10268452	05/12/2011
13.	联众	Lianzhong	21	10268481	05/12/2011
14.	联众	Lianzhong	23	10268479	05/12/2011
15.	联众	Lianzhong	27	10268476	05/12/2011
16.	联众	Lianzhong	35	10268490	05/12/2011
17.	联众	The Company	9,41,42	302848627	24/12/2013
18.		The Company	9,41,42	302910249	28/02/2014
19.	OURGAME	The Company	9,41,42	302910258	28/02/2014

2. Copyrights

As of the Latest Practicable Date, the Group had registered the following copyrights in the PRC which are material in relation to our Group's business:

(a) Copyrights

As of the Latest Practicable Date, the Group had registered the following copyrights which are material in relation to our Group's business:

No.	Copyright	Version	Registered Owner	Copyright Number	Registration Number	Registration Date (dd/mm/yyyy)
1.	聯眾鬥地主手機聯網遊戲軟體	V2.6	Lianzhong	軟著登字第 BJ10178 號	2007SRBJ3206	19/12/2007
2.	聯眾鬥地主遊戲軟體	V1.0	Lianzhong	軟著登字第 BJ23839 號	2009SRBJ6833	27/10/2009

No.	Copyright	Version	Registered Owner	Copyright Number	Registration Number	Registration Date (dd/mm/yyyy)
3.	聯眾四國軍棋遊戲軟體	V1.0	Lianzhong	軟著登字第 BJ23836 號	2009SRBJ6830	27/10/2009
4.	聯眾麻將遊戲	V1.0	Lianzhong	軟著登字第 BJ23851 號	2009SRBJ6845	27/10/2009
5.	聯眾德州撲克遊戲軟體	V1.0	Lianzhong	軟著登字第 BJ23841 號	2009SRBJ6835	27/10/2009
6.	憤怒的漁夫遊戲軟體	V1.0	Lianzhong	軟著登字第 0290473 號	2011SR026799	10/05/2011
7.	達人麻將遊戲軟體	V1.0	Lianzhong	軟著登字第 0344446 號	2011SR080772	08/11/2011
8.	聯眾遊戲平臺軟體	V1.0	Lianzhong	軟著登字第 0376158 號	2012SR008122	09/02/2012
9.	天天鬥地主 IOS 遊戲軟體	V4.1.1	Lianzhong	軟著登字第 0514316 號	2013SR008554	28/01/2013
10.	天天鬥地主 Android 遊戲軟體	V3.1.1	Lianzhong	軟著登字第 0514174 號	2013SR008412	25/01/2013
11.	聯眾大廳 2012 軟體	V2.8.8.3	Lianzhong	軟著登字第 0524159 號	2013SR018397	28/02/2013
12.	聯眾單機鬥地主闖關版 Android 手機用戶端軟體	V5.0.0	Lianzhong	軟著登字第 0631943 號	2013SR126181	14/11/2013
13.	麻將因途移動終端軟體	V1.0.0	Lianzhong	軟著登字第 0646002 號	2013SR140240	06/12/2013
14.	三國傳遊戲軟體	V1.0	Lianzhong	軟著登字第 0664853 號	2013SR159091	27/12/2013
15.	聯眾單機鬥地主 IOS 版遊戲軟件	1.0.0	Lianzhong	軟著登字第 0697330 號	2014SR028086	14/01/2014

As of the Latest Practicable Date, the Group had registered the following copyrights in Taiwan which are material in relation to our Group's business:

No.	Copyright	Registered Owner	Registration Number	Registration Date (dd/mm/yyyy)
1.	德州撲克	Lianzhong	D-15-24-1010001	19/12/2012
2.	撲克世界	Lianzhong	D-15-104-1010001	19/12/2012
3.	撲克世界德州撲克	Lianzhong	J-15-104-1010001	19/12/2012

3. Patents

As of the Latest Practicable Date, the Group have applied for the registration of the following patents which are material in relation to our Group's business:

No.	Patent	Applicant	Place of Application	Application Number	Application Date
1.	基於互聯網的虛擬 博弈遊戲的積分結算方法以及系統	Lianzhong	PRC	201210035948.1	17/02/2012
2.	一種提供資料交互服務的伺服器的漏洞檢測方法及工具	Lianzhong	PRC	201210365172.X	26/09/2012

4. Domain names

As of the Latest Practicable Date, the Group had registered and maintain the following domain names which are material in relation to our Group's business:

No.	Domain Name	Registered Owner	Expiry Date (dd/mm/yyyy)
1.	ourgame.mobi	Lianzhong	17/08/2015
2.	ourgame	Lianzhong	12/08/2015
3.	ourgame.com.cn	Lianzhong	29/07/2015
4.	ourgame.net.cn	Lianzhong	19/07/2015
5.	ourgame.org.cn	Lianzhong	02/04/2015
6.	聯眾	Lianzhong	26/01/2015
7.	ourgame.com	Lianzhong	03/01/2016
8.	聯眾社區	Lianzhong	11/01/2015
9.	聯眾遊戲大廳	Lianzhong	03/05/2015
10.	聯眾新世界	Lianzhong	27/05/2015

Note: Information contained on the websites above do not form part of this prospectus.

Save as aforesaid, as of the Latest Practicable Date, there were no other trade or service marks, patents, intellectual or industrial property rights which were material in relation to our Group's business.

D. FURTHER INFORMATION ABOUT THE DIRECTORS, MANAGEMENT, STAFF, SUBSTANTIAL SHAREHOLDER AND EXPERTS

1. Particulars of Directors' service contracts

(a) Executive Directors

Each of our executive Directors has entered into a service contract with our Company pursuant to which they agreed to act as executive Directors for an initial term of three years with effect from the Listing Date. Either party has the right to give written notice to terminate the agreement. Details of the Company's remuneration policy is described in section headed "Directors and Senior Management — Directors' Remuneration".

The annual salaries of the executive Directors payable by the Company are as follow:

Executive Directors	HK\$
Mr Zhang	0
Mr Liu	0
Yang Eric Qing	849,660
Ng Kwok Leung Frank	765,963

(b) Non-executive Directors and Independent non-executive Directors

Each of our non-executive Directors and independent non-executive Directors has entered into an appointment letter with our Company. The term of office of our non-executive Director and independent non-executive Directors is three years.

Non-executive Directors	HK\$
Fan Tai	0
Chen Xian	0

Independent non-executive Directors	HK\$
Ge Xuan	160,000
Lu Zhong	160,000
Cheung Chung Yan David	250,000

2. Remuneration of Directors

- (a) Remuneration and benefits in kind of approximately HK\$2,326,000, HK\$3,097,000 and HK\$1,688,000 in aggregate were paid and granted by our Group to our Directors in respect of the year ended 2011, 2012 and 2013.
- (b) Under the arrangements currently in force, our Directors will be entitled to receive remuneration and benefits in kind which, for the year ending 2014, is expected to be approximately HK\$2,185,624 in aggregate (excluding discretionary bonus and share-based compensation).
- (c) Save as disclosed in this prospectus, none of our Directors has or is proposed to have a service contract with the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

3. Disclosure of interests

(a) *Interests and short positions of our Directors in the share capital of the Company and its associated corporations following the completion of the Global Offering*

Immediately following completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Management Pre-IPO Share Option Scheme), the interests or short positions of our Directors and our chief executives in the shares, underlying shares and debentures of our Company and its associated corporations, within the meaning of Part XV of the SFO, which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she is taken or deemed to have under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules, will be as follows:

Name of Director	Capacity/Nature of interest	Number of shares in corporation	Approximate percentage of total issued share capital of corporation
Mr Zhang	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Mr Liu	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Yang Eric Qing ⁽¹⁾	Beneficial interest	20,851,064	2.66%
Ng Kwok Leung Frank ⁽²⁾	Beneficial interest	20,851,064	2.66%

(1) Mr. Yang Eric Qing is interested in the options granted under the Management Pre-IPO Share Option Scheme to subscribe for 20,851,064 shares.

(2) Mr. Ng Kwok Leung Frank is interested in the options granted under the Management Pre-IPO Share Option Scheme to subscribe for 20,851,064 shares.

(b) Interests and short positions discloseable under Divisions 2 and 3 of Part XV of the SFO

Immediately following completion of the Global Offering (taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Over-allotment Option or options which may be granted under the Management Pre-IPO Share Option Scheme), in addition to the interests disclosed under paragraph (a) above, so far as our Directors were aware, as of the Latest Practicable Date, the following person was (other than members of our Group) expected to have interests and/or short positions in the shares and underlying shares of our Company which are required to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, and/or are expected to be, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group:

Name of shareholder	Nature of interest	Number and class of securities⁽¹⁾	Approximate percentage of interest in our Company immediately after the Global Offering
Mr Zhang	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Elite Vessels Limited	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Mr Liu	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Sonic Force Limited	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Blink Milestones Limited	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Mr Shen	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Prosper Macrocosm Limited	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Ms Long	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
Golden Liberator Limited	Interest of a party to an agreement regarding interest in the company	359,961,364	45.91%
KongZhong Corporation	Beneficial owner	58,800,000	7.50%
CMC Ace Holdings Limited	Beneficial owner	117,600,000	15.00%

4. Disclaimers

Save as disclosed in this prospectus:

- (a) there are no existing or proposed service contracts (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)) between the Directors and any member of the Group;
- (b) none of the Directors or the experts named in “Consents of experts” has any direct or indirect interest in the promotion of, or in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group;
- (c) no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any Shares in or debentures of the Company within the two years ended on the date of this prospectus;
- (d) none of the Directors is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Group taken as a whole;
- (e) taking no account of any Shares which may be taken up under the Global Offering and allotted and issued pursuant to the exercise of the Over-Allotment Option or any options which may be granted under the Management Pre-IPO Share Option Scheme, so far as is known to any Director or chief executive of the Company, no other person (other than a Director or chief executive of the Company) will, immediately following completion of the Global Offering and the IPO Reorganization, have interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or (not being a member of the Group), be interested, directly or indirectly, in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group; and
- (f) none of the Directors or chief executive of the Company has any interests or short positions in the Shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to section 352 of the SFO, to be entered into the register referred to therein, or will be required, pursuant to the Model Code for Securities Transaction by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange once the Shares are listed thereon.

E. OTHER INFORMATION

1. Litigation

Save as disclosed in this prospectus, no member of our Group is engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened by or against our Company that would have a material adverse effect on our Company’s results of operations or financial condition.

2. Preliminary expenses

The preliminary expenses of the Global Offering are estimated to be approximately HK\$54,499 and are payable by our Company.

3. Agency fees or commissions

Save as disclosed in this prospectus, within the two years preceding the date of this prospectus, no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any share or loan capital of our Company or any of its subsidiaries.

4. Sole Sponsor

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee of the Stock Exchange for listing of, and permission to deal in, the Shares in issue as mentioned herein and any Shares falling to be issued pursuant to the Global Offering and the exercise of the Over-allotment Option. All necessary arrangements have been made enabling such Shares to be admitted into CCASS.

5. Independence of Sole Sponsor and Sponsor's fees

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set out in Rule 3A.07 of the Listing Rules. The Sole Sponsor will be paid by the Company a total fee of US\$500,000 to act as sponsor to the Company in connection with the Global Offering.

6. No material adverse change

Our Directors believe that there has been no material adverse change in the financial or trading position since 31 December 2013 (being the date on which the latest audited consolidated financial statements of the Group were made up).

7. Binding effect

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding up and Miscellaneous Provisions) Ordinance so far as applicable.

8. Miscellaneous

(a) Save as disclosed in this prospectus:

- (i) within the two years preceding the date of this prospectus, no share or loan capital of the Company or any of its subsidiaries has been issued or agreed to be issued fully or partly paid either for cash or for a consideration other than cash; and
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or is agreed conditionally or unconditionally to be put under option.

(b) Our Company has no founder shares, management shares or deferred shares in the capital of the Company.

(c) All necessary arrangements have been made to enable the Shares to be admitted into CCASS for clearing and settlement.

(d) None of the equity and debt securities of our Company is listed or dealt in on any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

9. Qualifications of experts

The following are the qualifications of the experts who have given opinion or advice which are contained in this prospectus:

Name	Qualification
Grant Thornton Hong Kong Limited	Certified Public Accountants
Jefferies Hong Kong Limited	Licensed to conduct type 1 (dealing in securities), type 2 (dealing in future contracts), type 4 (advising on securities) and type 6 (advising on corporate finance), acting as the Sole Sponsor of the Global Offering
King & Wood Mallesons	Qualified PRC lawyers
Han Kun Law Offices	Qualified PRC lawyers
Maples and Calder	Cayman Islands legal advisers
Analysys International	Industry consultant

10. Consents of experts

Each of the experts listed in the section headed “Qualifications of experts” in this Appendix has given and has not withdrawn their respective consents to the issue of this prospectus with the inclusion of its report and/or letter and/or summary of valuations and/or legal opinion (as the case may be) and references to its name included in the form and context in which it appears.

As of the Latest Practicable Date and save as disclosed in the preceding paragraph, none of the experts named in the paragraph headed “Qualifications of experts” in this Appendix had any shareholding interests in any member of our Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group.

11. Pre-IPO Share Option Schemes**A. Employee Pre-IPO Share Option Scheme****Summary of Terms**

The purpose of the Employee Pre-IPO Share Option Scheme is to give the participants an opportunity to acquire a personal stake in our Company and help motivate such participants to optimize their performance and efficiency, and also to help retain the participants whose contributions are important to the long-term growth and profitability of our Group. The options entitle participants to obtain existing issued Shares in our Company held by Blink Milestones and will not involve our Company issuing any new Shares. The principal terms of the Employee Pre-IPO Share Option Scheme are set out below:

Exercise Price

The exercise price per Share under the Employee Pre-IPO Share Option Scheme shall be RMB0.12756 per Share;

Exercise of Option

The Shares subject to the Employee Pre-IPO Share Option Scheme shall be vested on four equal annual instalments with the first instalment, representing twenty five percent (25%) of the Shares subject to the Employee Pre-IPO Share Option Scheme, vesting on the first anniversary of the completion of the IPO and an additional instalment vesting on each anniversary of the Grant Date thereafter, subject to the fulfilment of the grantee’s performance target for the full calendar year before the vesting determined by the Company and the grantee’s continuing to be an employee of the Company and being in compliance with the Terms and Conditions of Option Grant attached to the Option Award Agreement dated 20 February 2014 through each such date.

Maximum Number of Shares

The maximum number of Shares in respect of which options under the Employee Pre-IPO Share Option Scheme may be granted shall be 25,009,600 Shares; and

Lock-up

The grantee shall not offer, pledge, sell, contract to sell any options or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any Shares (or other securities) of our Company or enter into any swap, hedging or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares (or other securities) held by the grantee (other than those included in the registration) for a period as required or specified by the Underwriters or as required by applicable laws.

Adjustment

In the event that any dividend or other distribution, recapitalization, share split, reverse share split, reorganization, merger, consolidation, split-up, spin-off, repurchase, or exchange of Shares or other securities of our Company, or other change in the corporate structure of our Company affecting the Shares occurs, our Company and Blink Milestones may, at their sole discretion, adjust the number and exercise price of Shares that may be delivered hereunder, provided that (i) any such adjustments shall be made on the basis that a grantee shall have the same proportion of the equity capital of our Company as that to which such grantee was entitled to subscribe had the grantee exercised all the options held by him or her immediately before such adjustments, (ii) the aggregate exercise price payable by a grantee on the full exercise of any option shall remain as nearly as possible the same as (but shall not be greater than) it was before such event, (iii) no such adjustment shall be made if the effect of such alterations would be to enable a Share to be issued at less than its nominal value, and (iv) no such adjustment shall be made in respect of any issuance of Shares or other securities convertible into Shares by our Company as consideration to acquire equity or non-equity interest from a third party.

Termination

Unless the option is forfeited, terminated or cancelled earlier, the option shall expire and terminate 10 years after vesting (the “**Termination Date**”). If the grantee ceases to be an employee as a result of the termination by our Company for cause, the grantee’s options will be cancelled on the Termination Date, whether or not the Option is then vested or exercisable. If the grantee ceases to be an employee as a result of the grantee’s death or disability, the options, to the extent not vested on the Termination Date, shall be cancelled on the Termination Date and the grantee’s estate has 12 months following the Termination Date to exercise the grantee’s options. If the grantee ceases to be an employee for any other reason, the options shall be cancelled on the Termination Date and the grantee has 90 days to exercise his or her options.

Cancellation of Unvested Options

Unless otherwise agreed by Blink Milestones in writing, any unvested portion of the option shall be cancelled (in part or in whole, at Blink Milestone’s sole discretion) (i) on the Termination Date; or (ii) upon the issuance of a written notice by Blink Milestones stating that such unvested portion of the option shall be cancelled for any of the following reasons: (A) the grantee is demoted from his or her current position as at the date of the option agreement for any reason; (B) the grantee’s violation of any applicable laws or Blink Milestone’s professional ethic rules or breach of any confidentiality agreement entered into between Blink Milestones (and/or any of its subsidiaries or affiliates) and grantee; (C) the grantee has damaged the interests of Blink Milestones due to gross negligence or wilful misconduct; or (D) the grantee has failed to pass periodic performance review.

Transferability

The option shall be personal to the grantee and may not be assigned or transferred in any manner otherwise than by will or by the laws of descent or distribution and may be exercised during the lifetime of the grantee only by the grantee. The grantee shall not in any way sell, transfer, pledge or create any interest (whether legal or beneficial) in favour of any third party over or in relation to any option. Options granted pursuant to the Employee Pre-IPO Share Option Scheme are non-transferable.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Employee Pre-IPO Share Option Scheme.

Outstanding Options Granted

The proposal to grant the options under the Employee Pre-IPO Share Option Scheme to the grantees as set out below has been approved by the Board on 7 March 2014. The number of underlying Shares pursuant to the

options granted under the Employee Pre-IPO Share Option Scheme amounted to 12,152,381 Shares, representing approximately 1.55% of the issued Shares. Immediately after the Capitalization Issue, the options granted to 29 participants have been adjusted. The aggregate number of options under the Employee Pre-IPO Share Option Scheme will become 25,009,600 Shares (representing about 0.32% of the enlarged issued share capital of our Company immediately after completion of the Capitalisation Issue and the Global Offering, assuming that the Over-allotment Option is not exercised) and the exercise price shall be RMB0.12756 per Share.

As at the Latest Practicable Date, particulars of the options granted under the Employee Pre-IPO Share Option Scheme are as follows:

Grantee	Position in relevant Group companies	Residential address	Number of underlying Shares pursuant to the option for illustrative purposes	Approximate percentage of the issued Shares for illustrative purposes ⁽¹⁾
Wang Fan 王帆	Deputy Director, Product Center, Chess Business Department	Group 9, Baijiabao, Nangang District, Harbin	392,000	0.0500%
Cui Zaijian 崔仔健	Manager, Product Planning Division, Chess Business Department	Room 3, 6/F, Hong Qi Xiao Qu, Liaohe Road, Daowai District, Harbin	235,200	0.0300%
Zhang Qi 張琪	Deputy Director, Product Center, Chess Business Department	No. 3, Single Collective Registered Residence, No.1 Machine Factory, Qingshan District, Baotou, Inner Mongolia	392,000	0.0500%
Fang Wei 方偉	Deputy Manager, Data Operations Division, Chess Business Department	Faculty of Physics, No. 1 Tsing Hua Park, Haidian District, Beijing	156,799	0.0200%
Chen Hong 陳宏	Manager, Data Analysis Division, Financial Audit Center	No. 14 Nandajie, Chaoyangmen, FESCO, Chaoyang District, Beijing	548,801	0.0700%
Peng Fei 彭飛	Deputy Director, Chess Product Planning Center, Chess Business Department	Gate 3, 5/F, Shanggu Road, Xiangfang District, Harbin	235,200	0.0300%
Zhang Ruiqin 張瑞卿	Deputy General Manager, Technology Department	No. 330 West Longhai Road, Zhongyuan District, Zhengzhou	548,801	0.0700%
Wang Chen 王承	Employee, Gaming Platform Development Division, Chess Business Department	No. 5, Gate 26, No. 1 South Shouti Road, Haidian District, Beijing	313,600	0.0400%
Bai Yuchen 白宇晨	Deputy Director, Product Center, Chess Business Department	No. 202, Gate 1, 1/F, Chengzhuang North Lane, Fengtai District, Beijing	313,600	0.0400%

Grantee	Position in relevant Group companies	Residential address	Number of underlying Shares pursuant to the option for illustrative purposes	Approximate percentage of the issued Shares for illustrative purposes ⁽¹⁾
Huang Mingjun 黃明君	Deputy Director, Platform Product R&D Center, Chess Business Department	No. 332 Dongwei Road, Ganjinzi District, Dalian, Liaoning Province	313,600	0.0400%
Yuan Shuguang 袁曙光	Manager, Information Security Division, Technology Department	No. 261 Chengbei Road, Nanjiang Town, Nanjiang County, Sichuan Province	235,201	0.0300%
Shi Lei 石磊	Deputy General Manager, Chess Business Department	No. 052, Gate 1, Unit 7, No. 178 Beiyuan Road, Chaoyang District, Beijing	392,000	0.0500%
Zhang Jing 張靖	Deputy Director, Cooperation Product Business Department	No. 4, Unit 2, Building 611, No. 79 Fuxing Road, Haidian District, Beijing	235,201	0.0300%
Song Jianhua 宋建華	Deputy Director, Cooperation Product Business Department	No. 57 Hengqiao Village, Machikou Town, Changping District, Beijing	156,799	0.0200%
Ouyang Yanping 歐陽延平	Manager, Technical Support Division, Cooperation Product Business Department	Room 604, Building 3, No. 24 Yard, Caiyuan Road, Xuanwu District, Beijing	156,799	0.0200%
Zhang Peng 張鵬	Deputy Director, Market Center	Third No. 7 Lumicang Hutong, Dongcheng District, Beijing	235,201	0.0300%
Zhao Liqun 趙立群	Manager, Sales Channel Division, Financial Audit Center	Room 601, Unit 3, Building 1, No. 139 Middle Changyuan Road, Wuhua District, Kunming, Yunnan Province	156,799	0.0200%
Zhao Su 趙肅	Manager, Purchasing Division, Management Center	Unit 501, No. 258 West Minzhu Road, Chengguan District, Lanzhou, Gansu	313,600	0.0400%
Kan Baolei 闕寶磊	Manager, Development Department, Xi'an Branch	Office Building, No. 48 Gaoxin Road, Yanta District, Xi'an	235,201	0.0300%
Cao Ye 曹擘	Manager, Platform Product Department	No. 301, Gate 1, 11/F, Gaojiao Dormitory, Jingshuyuan, Haidian District, Beijing	235,200	0.0300%

Grantee	Position in relevant Group companies	Residential address	Number of underlying Shares pursuant to the option for illustrative purposes	Approximate percentage of the issued Shares for illustrative purposes ⁽¹⁾
Wang Runqun 王潤群	Deputy Director, Product Center, Chess Business Department	West Yan'an Road, Changning District, Shanghai	392,000	0.0500%
Wang Xiao 王曉	Assistant to the President, President Office	No. 14 Nandajie, Chaoyangmen, FESCO, Chaoyang District, Beijing.	235,200	0.0300%
Li Yijuan 李義雋	Manager, Finance Department	No. 113, Gate 1, 10/F, Qingyuandong Lane, Haidian District, Beijing.	156,799	0.0200%
Qi Mei 齊梅	Manager, Audit and Accounting Department	No. 8, Gate 3, 43/F, No. 19A West Third Ring Road Central, Haidian district, Beijing.	156,799	0.0200%
Qin Zhongfeng 秦中峰	General Manager, Chess Business Department	Room 602, Second Section, Xianfeng Road, No. 15 Maduan Road, Nangang District, Harbin.	5,095,999	0.6500%
Chen Xiongyue 陳雄越	Director, Management Center	Room 505, No. 21 Sixth Jianshe Street, Yuexiu District, Guangzhou.	3,528,001	0.4500%
Li Jin 栗璿	Director, Legal Department	University of Foreign Studies, No.1 Huizhongan, Chaoyang District, Beijing.	3,528,000	0.4500%
Yang Huichao 楊慧超	General Manager, Service Department	Second Minzhu Village, Neijiang Road, Yangpu District, Shanghai.	3,528,000	0.4500%
Wang Tianyi 王添翼	Director, Financial Audit Center	No. 563, East Section, Qiao Villiage, Yongshun Town, Tongzhou District, Beijing.	2,587,200	0.3300%

Notes:

- (1) The percentage is for illustrative purpose only and is calculated based on the number of shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and the Management Pre-IPO Share Option Scheme).

The number of options granted to each grantee under the Employee Pre-IPO Share Option Scheme was determined by Blink Milestones at the time of grant based upon a number of factors including the length of service and performance of the grantees, the requirement that our Shares be listed on a recognised stock exchange before the options could be exercised and an estimate of the likely period before which any such listing would occur.

B. Management Pre-IPO Share Option Scheme**Summary of Terms**

The purpose of the Management Pre-IPO Share Option Scheme is to give the participants an opportunity to acquire a personal stake in our Company and help motivate such participants to optimize their performance and efficiency, and also to help retain the participants whose contributions are important to the long-term growth and profitability of our Group. The principal terms of the Management Pre-IPO Share Option Scheme, effective as of 20 February 2014 and approved by the board of Directors on 7 March 2014, are substantially the same as the terms of the Employee Pre-IPO Share Option Scheme except that:

- (a) the exercise price per Share under the Management Pre-IPO Share Option Scheme is US\$0.34398035 and shall be further adjusted to US\$0.16714303 per Share after the completion of the Capitalisation Issue;
- (b) twenty five percent (25%) of the Shares subject to the Management Pre-IPO Share Option Scheme shall be vested on the first anniversary of the Grant Date and the remaining Shares subject to the Management Pre-IPO Share Option Scheme shall vest on 36 equal monthly instalments with the first instalment vesting upon March 2015 and an additional instalment vesting on each monthly anniversary of March 2015 thereafter, subject to grantee's continuing to be an employee of the Group or a director of the Company and being in compliance with the Terms and Conditions of Option Grant attached to the Option Award Agreement dated 7 March 2014 through each such date.
- (c) save for the options which have been granted, no further options will be granted on or after the Latest Practicable Date.

Options granted pursuant to the Management Pre-IPO Share Option Scheme are non-transferable. No Share will be issued under the Management Pre-IPO Share Option Scheme if the Company's public float will as a result of such issue be less than the minimum requirements under the Listing Rules.

Application has been made to the Listing Committee of the Stock Exchange for the approval of the listing of and permission to deal in the Shares to be issued pursuant to the exercise of the options granted under the Management Pre-IPO Share Option Scheme.

Outstanding Options Granted

The proposal to grant the options under the Management Pre-IPO Share Option Scheme to the grantees as set out below has been approved by the Board (including the independent non-executive Directors) on 7 March 2014. As of the Latest Practicable Date, the number of underlying Shares pursuant to the options conditionally granted under the Management Pre-IPO Share Option Scheme to the three grantees on 7 March 2014 options to subscribe for 50,042,553 Shares, representing approximately 6.38% of the issued Shares immediately following the completion of the Global Offering and the Capitalisation Issue but assuming that the Over-allocation Option is not exercised. No further options will be granted under the Management Pre-IPO Share Option Scheme from the Latest Practicable Date.

As at the Latest Practicable Date, particulars of the options granted under the Management Pre-IPO Share Option Scheme are as follows:

Grantee	Position in relevant Group companies	Residential address	Percentage of the issued Shares for illustrative purposes ⁽¹⁾
Yang Eric Qing (楊慶)	Chairman, Executive Director and Co-CEO	No. 2703, Building 210 Nan Hu Xi Yuan Chaoyang District, Beijing PRC	2.66%
Ng Kwok Leung Frank (伍國樑)	Executive Director and Co-CEO	7/D, Block 5, Villa Concerto, Symphony Bay, Saikong, NT, Hong Kong	2.66%
Zhang Peng (張鵬)	President	Unit 6-202, 9/F Xinfeng South Lane Xicheng District, Beijing PRC	1.06%

Notes:

(1) The percentage is calculated based on the number of shares in issue immediately following completion of the Global Offering and the Capitalisation Issue (without taking into account the Shares which may be allotted and issued upon the exercise of the Over-allotment Option and assuming that none of the options granted under the Management Pre-IPO Option Scheme has been exercised).

The number of options granted to each grantee under the Management Pre-IPO Share Option Scheme was determined by the Board at the time of grant based upon a number of factors including the length of service and performance of the grantees, the requirement that our Shares be listed on a recognised stock exchange before the options could be exercised and an estimate of the likely period before which any such listing would occur.

Assuming an Offer Price of HK\$4.25 per Share, being the mid-point of the proposed Offer Price range of HK\$3.7 to HK\$4.8 per Share as stated in the Prospectus and the calculation stated in the table above, the options issued under the Management Pre-IPO Share Option Scheme represent approximately 6% of our enlarged share capital as at the Listing Date (assuming that the Over-allocation Option is not exercised). If all options are exercised, this would have a dilutive effect of approximately 6.38% on earnings per Share. However, as the options are exercisable over a period of not more than ten years, any such dilution and impact on earnings per Share will be staggered over several years. No further options will be granted under the Management Pre-IPO Share Option Scheme after the Latest Practicable Date.

F. GENERAL

1. Taxation of Holder of our Shares

(a) Hong Kong

Dealings in Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty, the current rate charged on each of the purchaser and seller is 0.1% of the consideration of, if higher, of the fair value of the Shares being sold or transferred. Profits from dealings in the Shares arising in or derived from Hong Kong may also be subject to Hong Kong profits tax. Our Directors have been advised that no material liability for estate duty under the laws of China or Hong Kong would be likely to fall upon any member of our Group.

(b) Cayman Islands

Under the present Cayman Islands law, there is no stamp duty payable in the Cayman Islands on transfer of shares.

(c) Consultation with professional advisors

Potential investors in the Global Offering should consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding and disposing of, or dealing in Shares. It is emphasised that none of us, the Joint Global Coordinators, the Joint Bookrunners, the Sole Sponsor and the Underwriters and their respective directors or any other parties involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, persons resulting from the application for, or purchasing, holding and disposal of, or dealing in Shares.

2. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice.

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

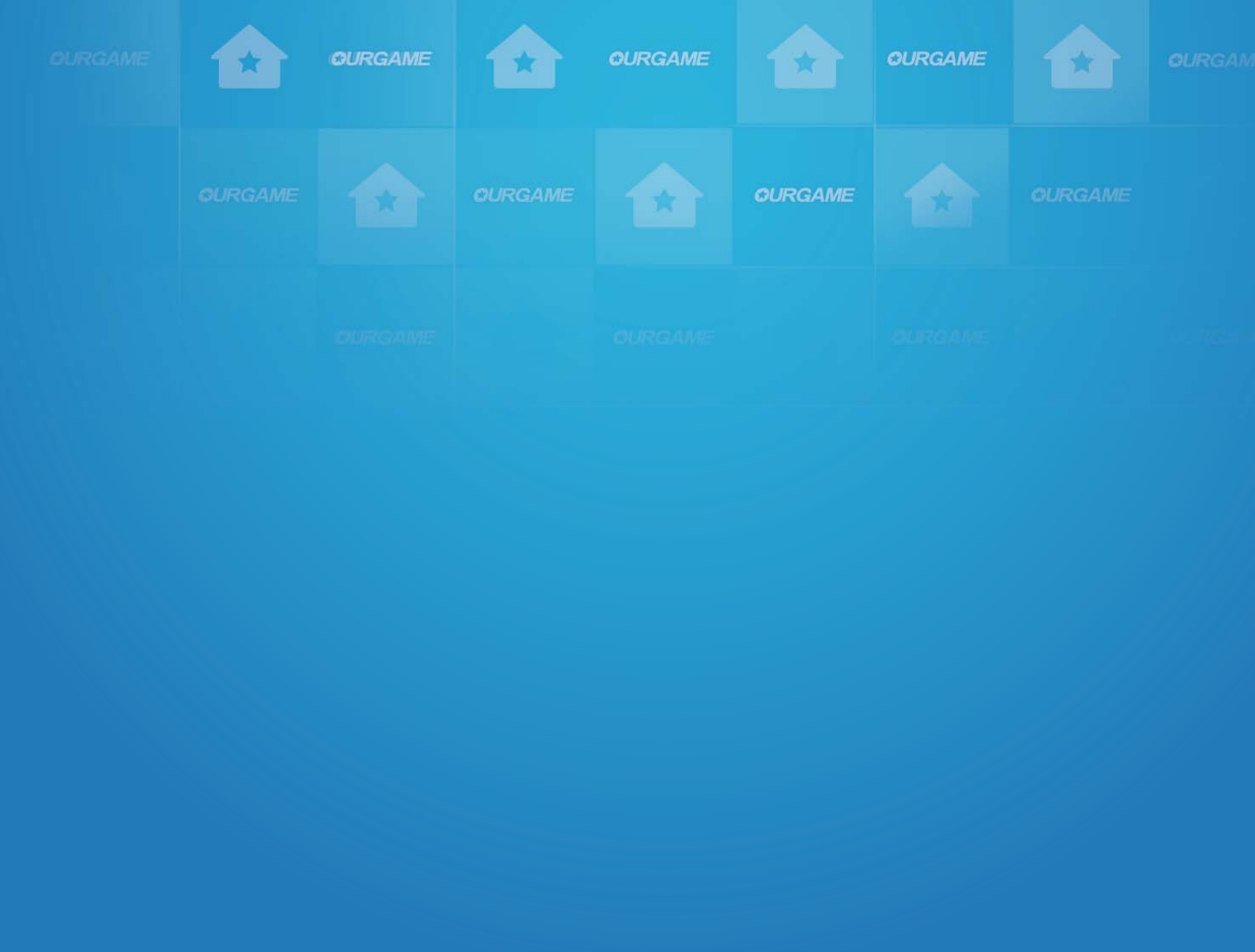
- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) the written consents referred to in the paragraph headed “Appendix IV — Statutory and General Information — E. Other Information — Consents of experts” in this prospectus; and
- (c) copies of the material contracts referred to in the paragraph headed “Appendix IV — Statutory and General Information — A. Further Information About Our Company — Summary of the material contracts” in this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Skadden, Arps, Slate, Meagher & Flom at 42/F Edinburgh Tower, The Landmark, 15 Queen’s Road Central, Hong Kong during normal business hours from 9:00 a.m. to 5:00 p.m. up to and including the date which is 14 days from the date of this prospectus:

- (a) our Memorandum and Articles of Association;
- (b) the Accountant’s Report prepared by Grant Thornton Hong Kong Limited, the text of which are set out in Appendix I to this prospectus;
- (c) the letter received from Grant Thornton Hong Kong Limited on unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the material contracts referred to in the paragraph headed “Appendix IV — Statutory and General Information — A. Further Information About Our Company — Summary of the material contracts” in this prospectus;
- (e) the service contracts with Directors, referred to in the paragraph headed “Appendix IV — Statutory and General Information — D. Further Information About The Directors, Management, Staff, Substantial Shareholders and Experts — Particulars of Directors’ service contracts” in this prospectus;
- (f) the written consents referred to in the paragraph headed “Appendix IV — Statutory and General Information — E. Other Information — Consents of experts” in this prospectus;
- (g) the legal opinions dated this prospectus date prepared by King & Wood Mallesons, our legal adviser as to PRC law, in respect of certain aspects of our Group and our property interests;
- (h) our Pre-IPO Share Option Schemes;
- (i) the Companies Law; and
- (j) the letter of advice prepared by Maples and Calder summarizing certain aspects of Companies Law.

OURGAME



OURGAME INTERNATIONAL HOLDINGS LIMITED
聯眾國際控股有限公司