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OURGAME INTERNATIONAL HOLDINGS LIMITED

聯眾國際控股有限公司*

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 6899)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2014

FINAL DIVIDEND, CLOSURE OF REGISTER OF MEMBERS AND RE-DESIGNATION OF EXECUTIVE DIRECTORS AS NON-EXECUTIVE DIRECTORS

FINANCIAL HIGHLIGHTS

	Year ended 31 December		Changes
	2014 RMB'000 (Audited)	2013 RMB'000 (Audited)	
Revenue	475,769	236,300	+101.3%
Profit attributable to equity holders of the Company	97,641	35,052	+178.6%
Non-IFRS adjusted net profit*	144,481	42,734	+238.1%
Attributable to equity holders of the Company	144,479	37,261	+287.7%
Attributable to non-controlling interests	2	5,473	-100.0%

The Board decides to recommend a final dividend of RMB0.064 per share of the Company (the “Shares”) (2013: nil), and such proposal is subject to approval by shareholders of the Company (“Shareholders”) at the forthcoming annual general meeting (“AGM”).

* Non-IFRS adjusted net profit was derived from the audited profit for the year excluding (i) share-based compensation expense; and (ii) expenses relating to the listing of the Company on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

	Three months ended 31 December		
	2014	2013	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
Revenue	138,703	89,460	+55.0%
Profit attributable to equity holders of the Company	29,496	26,953	+9.4%
Non-IFRS adjusted net profit[#]	38,179	33,131	+15.2%
Attributable to equity holders of the Company	38,179	28,837	+32.4%
Attributable to non-controlling interests	—	4,294	–100.0%

[#] *Non-IFRS adjusted net profit was derived from the unaudited profit for the period excluding (i) share-based compensation expense; and (ii) expenses relating to the listing of the Company on the Stock Exchange.*

	Year ended 31 December		
	2014	2013	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	
PC games revenue (unaudited)			
Self-developed PC games			
— Texas Hold'em	117,066	70,685	+65.6%
— Mahjong	90,738	62,604	+44.9%
— Fight the Landlord	39,657	26,932	+47.2%
— Other self-developed games	<u>27,886</u>	<u>18,124</u>	+53.9%
Self-developed games total	275,347	178,345	+54.4%
Licensed games	18,125	17,748	+2.1%
Third-party operated games	<u>12,288</u>	<u>14,576</u>	-15.7%
Total PC games revenue	305,760	210,669	+45.1%
Mobile games revenue	<u>153,393</u>	<u>15,628</u>	+881.5%
Total games revenue	<u>459,153</u>	<u>226,297</u>	+102.9%
Total revenue⁽¹⁾	<u>475,769</u>	<u>236,300</u>	+101.3%

	Three months ended 31 December		
	2014	2013	Changes
	<i>RMB'000</i>	<i>RMB'000</i>	
	(Unaudited)	(Unaudited)	
PC games revenue			
Self-developed PC games			
— Texas Hold'em	30,775	29,214	+5.3%
— Mahjong	23,828	22,163	+7.5%
— Fight the Landlord	9,858	9,229	+6.8%
— Other self-developed games	<u>6,238</u>	<u>6,900</u>	-9.6%
Self-developed games total	70,699	67,506	+4.7%
Licensed games	4,285	4,773	-10.2%
Third-party operated games	<u>3,208</u>	<u>3,849</u>	-16.7%
Total PC games revenue	78,192	76,128	+2.7%
Mobile games revenue	<u>49,623</u>	<u>7,285</u>	+581.2%
Total games revenue	<u>127,815</u>	<u>83,413</u>	+53.2%
Total revenue⁽¹⁾	<u>138,703</u>	<u>89,460</u>	+55.0%

⁽¹⁾ Total revenue includes income from sponsorship and third-party advertising income.

OPERATIONAL HIGHLIGHTS

	Year ended 31 December		
	2014	2013	Changes
	(Unaudited)	(Unaudited)	
Monthly active users (“MAUs”) (in thousands):			
Self-developed PC games			
— Texas Hold'em	111	56	+98.2%
— Mahjong	2,018	1,490	+35.4%
— Fight the Landlord	3,578	3,222	+11.0%
— Other self-developed games	4,691	5,126	–8.5%
Mobile games	<u>15,415</u>	<u>10,466</u>	+47.3%
Total	<u><u>25,813</u></u>	<u><u>20,360</u></u>	+26.8%
Monthly paying users (“MPUs”) (in thousands):			
Self-developed PC games	324	256	+26.6%
Mobile games ⁽²⁾	<u>615</u>	<u>106</u>	+480.2%
Total	<u><u>939</u></u>	<u><u>362</u></u>	+159.4%
Monthly average revenue per paying user			
(“ARPPU”) (in RMB):			
Self-developed PC games	70.8	57.9	+22.3%
Mobile games ⁽²⁾	19.6	12.6	+55.6%

	Three months ended		
	31 December		
	2014	2013	Changes
	(Unaudited)	(Unaudited)	
Monthly active users (“MAUs”) (in thousands):			
Self-developed PC games			
— Texas Hold'em	119	111	+7.2%
— Mahjong	2,108	1,651	+27.7%
— Fight the Landlord	3,510	3,189	+10.1%
— Other self-developed games	4,510	4,890	−7.8%
Mobile games	<u>17,315</u>	<u>10,921</u>	+58.5%
Total	<u>27,562</u>	<u>20,762</u>	+32.8%
Monthly paying users (“MPUs”) (in thousands):			
Self-developed PC games	336	314	+7.0%
Mobile games ⁽²⁾	<u>859</u>	<u>145</u>	+492.4%
Total	<u>1,195</u>	<u>459</u>	+160.3%
Monthly average revenue per paying user			
(“ARPPU”) (in RMB):			
Self-developed PC games	70.0	71.7	−2.4%
Mobile games ⁽²⁾	19.3	15.7	+22.9%
⁽²⁾ The calculation of MPUs and ARPPU of mobile games does not include mobile games on non-smart devices and third-party operated mobile games, for which data are not available.			

BUSINESS REVIEW

The board of directors (the “**Board**”) of Ourgame International Holdings Limited (the “**Company**” or “**Ourgame**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2014. In addition, the annual results have also been reviewed by the Company’s audit committee.

2014 was a milestone year for the Company. We enhanced our games portfolio across the board, acquired many new users, significantly increased our revenue and profit, solidly expanded our online/offline portfolio, and successfully took the Company public by listing on the Main Board of the Stock Exchange on 30 June 2014.

For the year ended 31 December 2014, we achieved substantial growth on almost all major financial and operational metrics compared with the same period in 2013. Revenue of the Company amounted to approximately RMB475.8 million, representing an increase of 101.3% from RMB236.3 million in 2013. The non-IFRS adjusted net profit of 2014 excluding share-based compensation expense and expenses relating to the listing of the Company on the Stock Exchange amounted to RMB144.5 million, representing an increase of 238.1% from RMB42.7 million recorded in 2013. In the meantime, the MAUs for the year of 2014 achieved 25.8 million, representing an increase of 26.8% compared with the same period of 2013. The MPUs for the year of 2014 achieved 939,000, representing an increase of 159.4% compared with the same period of 2013.

Due to continued refinement of monetization, and solid execution of our integrated online/offline strategy, the revenue of PC games amounted to RMB305.8 million, representing a 45.1% increase compared with the same period in 2013. For the year ended 31 December 2014, the revenue of our major self-developed PC games categories, namely Texas Hold’em, Mahjong and Fight the Landlord, all achieved significant growth, with an amount of RMB117.1 million, RMB90.7 million, and RMB39.7 million, respectively, representing an increase of 65.6%, 44.9% and 47.2% over the revenue generated from these categories for the same period in 2013. The MAUs reached 10.4 million, representing an 5.1% increase compared with the same period of 2013, which can be attributable to the continued enhancement of our games and effective online-traffic drawing from the world-class offline tournaments and continued enhancement of our user base. MPUs reached 324,000, representing an 26.6% increase benefiting from the new high-quality users acquired through the integrated online/offline tournaments such as World Poker Tour China (“**WPT China**”).

With deepened monetization measures embedded in our mobile games, launch of newer games and the closer cooperation with mobile carrier companies and other major distributors, our mobile games business demonstrated breakout growth momentum this year. The revenue in 2014 reached RMB153.4 million, representing a 881.5% increase from RMB15.6 million in 2013. The MAUs reached 15.4 million, representing a 47.3% increase compared with the same period of 2013, while MPUs reached 615,000, representing a 480.2% increase. We have launched more than 50 versions of our mobile games onto the platforms of all top three mobile carrier companies, namely China Mobile, China Unicom and China Telecom. In October 2014, the revenue of our Tian Tian Fight the Landlord (天天鬥地主) ranked number one on the networking mobile games list of China Mobile. In addition, we also

partnered with Guangdong Mobile, Hubei Mobile, Shaanxi Mobile, Shanxi Mobile, Henan Mobile, Shandong Mobile and Jiangsu Mobile in their college promotion programs. Furthermore, we have reached in-depth cooperation with cellphone manufacturers like Xiaomi (小米), Coolpad (酷派), VIVO, OPPO, Lenovo (聯想), and Huawei (華為), among which Tian Tian Fight the Landlord has been chosen as the key product in card and board game section for Xiaomi and VIVO.

In 2014, we hosted WPT China for the third consecutive year. Based on the success of the 2012 and the 2013 WPT China in Sanya, the online entries and offline participants of 2014 WPT China reached a record high. We live broadcasted the final competition of WPT China with Youku, Letv, PPTV and other internet television companies, and achieved a record high viewership with more than 700,000 viewers per day. The success marked the milestone for Ourgame in extending our services through broadcasting, amplifying the attractiveness of our quality content through new media channels and effectively reaching targeted user audiences. Moreover, in October 2014, we successfully co-hosted the 14th World Bridge Championship with the World Bridge Federation and Chinese Contract Bridge Association in Sanya. The World Bridge Championship is hosted once every four years, and is recognized as the Olympics of the bridge. The event attracted global attention and was partly live broadcasted in China's Central Television. In doing so Ourgame is recognized as a global leader in mind sports and it has demonstrated its ability to host and operate the most professional and world class mind sports events. We also hosted other high standard competitions like the World Poker Tour Dragon Series, the China Chess and Cards Competition and the Electronic Sports Celebrity Tournaments. The Company's success in acquiring the rights and successfully conducting key offline mind sports events further elevates our brand, deepen our market penetration to key user segments, and continued to strengthen Ourgame's industry leadership position.

In the fourth quarter of 2014, the Ministry of Culture of the PRC issued an opinion to boost the upgrading of the Internet service industry. Right after that, we invested in Wanyu Internet café, one of the largest upscale and leading internet café chains in China. We believe internet cafés have the potential to be one of the go-to leisure destinations for the Internet generation, and with the support from the government, we believe the next generation internet cafés will be the critical component for our Online-To-Offline (“O2O”) strategy. As such, it is one of the best means to develop and expand a new marketing channel for our online games and online/offline tournaments. In addition, we have obtained an eight-year exclusive license from World Poker Tour (“WPT”) in 15 Asia countries and regions for organizing tournaments and to provide WPT branded services. By entrusting the key Asia region to us, Ourgame is being recognized as the best partner for entering the China and Asia poker market by global industry leaders. Acquisition of the WPT Asia rights will significantly accelerate our oversea expansion efforts. Moreover, based on the success of organizing the 2014 World Bridge Series, we acquired exclusive rights to host the World Bridge Contest (“WWBC”) with the World Bridge Federation (“WBF”). The WWBC is one of the most professional bridge competitions. The contest's new integrated online/offline format is jointly designed by Ourgame and WBF, which once again indicates Ourgame's expertise, brand value and ability to innovate at the highest level in mind sports.

As such, Ourgame's global business expansion is making concrete steps forward. On 27th December 2014, Ourgame received the "Outstanding Enterprise 2014" award, while our Co-Chief Executive Officer, Mr. Ng Kwok Leung Frank ("Mr. Ng"), received the "2014 Outstanding Entrepreneur Award." Our games "Ourgame Poker World" (聯眾撲克世界) and "Ma Shang Fight the Landlord" (馬上鬥地主) have been awarded "Excellent On-line Game 2014" and "The Most Anticipated On-line Game", respectively, by the China Software Industry Association. The awards are regarded as the highest level of award in the software game industry in China. These awards solidified Ourgame's leading position in the industry and Mr. Ng as a leading expert on online card and board games.

The Board proposes the payment of a final dividend of RMB0.064 per Share for the year ended 31 December 2014 (2013: nil), which is subject to the approval of the Company's shareholders at the forthcoming AGM.

FUTURE PROSPECTS

Building on 2014's momentum, while maintaining our core business growth, 2015 will be a year of laying down a broader foundation to further the Company's leadership position, not only in online card and board games, but also in the mind sports industry. In 2014, the State Council of the PRC issued a guideline to accelerate the development of the sports industry, and encourage private capital to host sports competitions. To capture this new momentum and opportunity for mind sports industry, on the one hand, we will continue to enrich our online games portfolio and launch more creative games in order to attract new users and continue to focus on the improvement of monetization and user experiences. Our online games platform provides the foundation of our user base. We will continue to fine tune our mobile games offering to capture the changing trend of user experience and maintain a higher degree of growth. On the other hand, our online/offline portfolio is our differentiated funnel to attract new and high quality users. We will seek to add more and more world class online/offline mind sports events to our line-up. We will continue to seek partnership both domestically and abroad that would create value and strategic resources for the Company. We will also seek to leverage our expertise in card and board games to create mind sports education programs that will open up an entirely new business segment. Our online/offline events will also generate high quality media content and we believe the TV screen, through either broadcast TV or streaming media, is the ideal amplifier to extend these contents to our intended users.

Our goal is to create a synergistic mind sports ecosystem that will cater to our targeted users' online and offline leisure and entertainment needs, of which Ourgame will be capturing a significant share of our users' leisure time and associated spendings. We will be replicating our model to our oversea markets and accelerate our oversea expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

1. *Overview*

In 2014, profit attributable to equity holders of the Company increased significantly and amounted to RMB97.6 million, representing an increase of RMB62.6 million from 2013. Non-IFRS adjusted net profit* attributable to equity holders of the Company amounted to RMB144.5 million, representing a significant increase of RMB107.2 million as compared with RMB37.3 million in 2013.

* Non-IFRS adjusted net profit was derived from the audited profit for the year excluding (i) share-based compensation expense; and (ii) expenses relating to the listing of the Company on the Stock Exchange.

2. *Revenue*

In 2014, revenue of the Group amounted to RMB475.8 million, representing an increase of RMB239.5 million or 101.3% as compared with RMB236.3 million in 2013. The increase was due to a significant increase in revenue from self-developed PC games and mobile games.

In 2014, the revenue from self-developed PC games amounted to RMB275.3 million, representing an increase of RMB97.0 million or 54.4% as compared with RMB178.3 million in 2013. Revenue from mobile games amounted to RMB153.4 million for the year ended 31 December 2014, representing an increase of RMB137.8 million or 881.5% as compared with RMB15.6 million in 2013. The increases in self-developed PC games and mobile games were primarily driven by steady growth in MAUs and strong growth in their corresponding MPUs and ARPPU. For the year ended 31 December 2014, MPUs for self-developed PC games and mobile games were approximately 324,000 and 615,000, respectively, as compared with approximately 256,000 and 106,000 in 2013. For the year ended 31 December 2014, ARPPU for self-developed PC games and mobile games were RMB70.8 and RMB19.6 respectively, as compared with RMB57.9 and RMB12.6 in 2013.

3. *Cost of Revenue and Gross Profit Margin*

In 2014, cost of revenue of the Group amounted to RMB181.3 million, representing an increase of RMB101.5 million or 127.1% as compared with RMB79.8 million in 2013. The decrease in gross profit ratio to 61.9% for 2014 from 66.2% for 2013 was primarily due to the relatively faster growth in revenue derived from the Group's mobile games which had higher channel commission costs than PC games.

4. *Other Income*

In 2014, other income of the Group amounted to RMB23.4 million, representing an increase of RMB18.7 million or 403.3% as compared with RMB4.6 million in 2013. This was primarily due to an increase of RMB11.2 million in interest income and RMB7.3 million in exchange gain as a result of the appreciation in Renminbi on bank deposits held in Hong Kong.

5. *Selling and Marketing Expenses*

In 2014, selling and marketing expenses of the Group amounted to RMB70.4 million, representing an increase of RMB24.9 million or 54.8% from RMB45.5 million in 2013. The increase in selling and marketing expenses during the year was mainly due to additional costs incurred for the increase in marketing activities and employee compensation.

6. *Administrative Expenses*

In 2014, administrative expenses of the Group amounted to RMB71.0 million, representing an increase of RMB36.3 million or 104.5% compared with RMB34.7 million in 2013. The increase in administrative expenses during the year primarily resulted from a one-time listing-related expenses and an increase in professional fees, administrative personnel expenses and rental costs.

7. *Research and Development Expenses*

In 2014, research and development expenses of the Group amounted to RMB35.8 million, representing a slight increase of RMB57,000 or 0.2% compared with RMB35.7 million in 2013.

8. *Profit Attributable to Equity Holders of the Company*

In 2014, profit attributable to equity holders of the Company amounted to RMB97.6 million, representing an increase of RMB62.6 million or 178.6% compared with RMB35.1 million in 2013. The increase was primarily due to the significant increase in revenue of our self-developed PC games and mobile games.

9. *Non-IFRS Measure — Adjusted Net Profit*

To supplement this annual result announcement which is presented in accordance with the International Financial Reporting Standards (“IFRS”), we also use unaudited non-IFRS adjusted net profit* attributable to equity holders of the Company as an additional financial measure to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business.

In 2014, unaudited non-IFRS adjusted net profit attributable to equity holders of the Company amounted to RMB144.5 million, representing an increase of RMB107.2 million or 287.7% as compared with RMB37.3 million in 2013. The increase was primarily due to the significant increase in revenue. Our unaudited non-IFRS adjusted net profit attributable to equity holders of the Company for 2014 and 2013 were derived from profit attributable to equity holders of the

Company for the year excluding their share of (i) share-based compensation expense of RMB29.1 million (2013: RMB0.4 million); and (ii) expenses relating to the listing of the Company on the Stock Exchange of RMB17.7 million (2013: RMB1.8 million).

* Non-IFRS adjusted net profit was derived from the audited profit for the year excluding (i) share-based compensation expense; and (ii) expenses relating to the listing of the Company on the Stock Exchange.

10. *Income Tax Expense*

In 2014, income tax expense of the Group amounted to RMB14.0 million, representing an increase of RMB9.7 million or 224.1% as compared with RMB4.3 million in 2013. The increase was mainly due to the increase in profit before income tax.

11. *Liquidity and Source of Funding and Borrowing*

As at 31 December 2014, the Group's total bank balances and cash increased by 1124.5% from RMB58.7 million as at 31 December 2013 to RMB719.0 million. The increase of total bank balances and cash during the year primarily resulted from the increase in profit from operation, the repayment from loans of RMB25.0 million by the Shareholders and the net proceeds raised by the initial public offering of approximately RMB600.3 million.

As at 31 December 2014, the current assets of the Group amounted to RMB876.1 million, including RMB744.0 million in bank balances and cash and available-for-sale financial assets, and other current assets of RMB132.1 million. Current liabilities of the Group amounted to RMB75.4 million, of which RMB46.6 million were trade payables and deferred revenue, and other current liabilities of RMB28.8 million. As at 31 December 2014, the current ratio (the current assets to current liabilities ratio) of the Group was 11.6 as compared with 2.5 as at 31 December 2013.

Gearing ratio is calculated on the basis of total borrowings (net of cash and cash equivalents) over the Group's total equity. The Group does not have any bank borrowings and other debt financing obligations as at 31 December 2014 and the resulting gearing ratio is nil (2013: nil). The Group intends to finance the expansion, investments and business operations with internal resources.

12. *Material Investments*

During the year ended 31 December 2014, the Group has entered into an agreement for the acquisition of 10% equity interest in each of Shanghai Wangyu Information Technology Company Limited (上海網魚信息科技有限公司, “**Wangyu IT**”) and Shanghai Wangyu Network Development Company Limited (上海網魚網絡發展有限公司, “**Wangyu Network**”) for an aggregate consideration of RMB35.0 million. As of 31 December 2014, the Group has completed the acquisition of 4.2857% equity interest in each of Wangyu IT and Wangyu Network for an aggregate consideration of approximately RMB15.4 million. The remaining acquisitions of 5.7143% equity interest in each of Wangyu IT and Wangyu Network have been completed in January 2015.

13. *Material Acquisitions and Disposals*

Save as disclosed in note 12 above, the Group did not have any material acquisitions and disposals of subsidiaries or associated companies during the year ended 31 December 2014.

14. *Pledge of Assets*

As at 31 December 2014, none of the Group's assets was pledged (2013: nil).

15. *Contingent Liabilities*

The Group had no material contingent liabilities as at 31 December 2014 (2013: nil).

16. *Foreign Exchange Exposure*

During the year ended 31 December 2014, the Group mainly operated in China and the majority of its transactions were settled in RMB, the functional currency for the Company's operating subsidiaries. As at 31 December 2014, except for the bank deposits denominated in foreign currencies, the Group did not have significant foreign currency exposure from its operations.

17. *Employee's Remuneration and Policy*

As at 31 December 2014, the Group had 568 employees, 322 of which were responsible for game development, 171 for game operation and 75 for general administration. The total remuneration expenses, excluding share-based compensation expense, for the year ended 31 December 2014 was RMB82.7 million, representing an increase of 14.0% as compared to the previous year.

We provide external and internal training programs to our employees. As required by PRC law, we participate in various employee benefit plans, including housing pension, medical, basic pension and unemployment benefit plans, occupational injury and maternity leave insurance. Pursuant to the Employee Pre-IPO Share Option Scheme and Management Pre-IPO Share Option Scheme, there were 25,009,600 share options granted to employees by Blink Milestones Limited, a controlling shareholder of the Company and 50,042,553 share options granted to senior management during the year ended 31 December 2014, respectively.

Accordingly, the Group's share-based compensation expense for the year ended 31 December 2014 amounted to RMB29.1 million, representing an increase of RMB28.7 million as compared with RMB0.5 million in 2013.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintaining and promoting stringent corporate governance. The principle of the Company's corporate governance is to promote effective internal control measures and to enhance the transparency and accountability of the Board to all Shareholders.

Compliance with the Code on Corporate Governance Practices

The Company has been listed on the Main Board of the Stock Exchange since 30 June 2014 (the “**Listing Date**”). Since the Listing Date and up to the date of this announcement, the Company has complied with the applicable code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “**Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”), except for a deviation from the code provision A.2.1 which requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual and the code provision A.5.6 which stipulates that a policy concerning diversity of board members should be adopted.

Mr. Yang Eric Qing is the Chairman and Co-Chief Executive Officer of the Company. Mr. Yang Eric Qing joined our Group in December 2010 and is responsible for general operation, strategy and information technology of the Company and is instrumental to the Company's growth and business expansion. The Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-calibre individuals. The Board currently comprises two executive directors (including Mr. Yang Eric Qing), four non-executive directors and three independent non-executive directors and therefore has a fairly strong independence element in its composition.

Code provision A.5.6 stipulates that a policy concerning diversity of the board members should be adopted, but the Company did not have such a policy from the Listing Date to 31 December 2014. The Company adopted the diversity policy on 27 March 2015.

The Board will continue to review and monitor the practices of the Company for the purpose of complying with the Code and maintaining a high standard of corporate governance practices of the Company.

Directors' Interest in a Competing Business

During the year ended 31 December 2014, the directors of the Company (the “**Directors**”) were not aware of any business or interest of the Directors or any substantial Shareholder (as defined under the Listing Rules) of the Company and their respective associates that had competed or might compete with the business of the Group and any other conflicts of interests which any such person had or might have with the Group.

Compliance with the Model Code for Securities Transactions by Directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules to govern securities transactions by its Directors. Having made specific enquiry of all Directors, all Directors have confirmed that they strictly complied with the required standard set out in the Model Code since the Listing Date and up to the date of this announcement.

Audit Committee

The Company has established an audit committee in accordance with the Listing Rules. The primary duties of the audit committee are to review and supervise the Company’s internal control and financial reporting process and to maintain an appropriate relationship with the Company’s independent auditors. The audit committee comprises three members, namely, Mr. Cheung Chung Yan David (independent non-executive Director), Mr. Fan Tai (non-executive Director) and Mr. Ge Xuan (independent non-executive Director). Mr. Cheung Chung Yan David is the chairman of the audit committee of the Company.

The audit committee has reviewed the audited consolidated results of the Group for the year ended 31 December 2014. The audit committee has also discussed matters with respect to the accounting policies and practices adopted by the Company and internal control with senior management members of the Company.

Other Board Committees

In addition to the audit committee, the Company has also established a nomination and corporate governance committee, a remuneration committee and a risk management committee. On 22 August 2014, the Board has ratified paragraph 2.1 of the terms of the reference of the risk management committee to read: “The Committee shall comprise a majority of independent non-executive Directors. Independence shall be determined by the Board with reference to relevant legislation, regulation and guidance.” and paragraph 2.2 of the terms of reference (which originally reads: “The Chairman of the Audit Committee shall be a member of the Committee”) has been removed. The Board resolved that the change in the terms of reference of the risk management committee shall be deemed to have come into effect on the Listing Date.

Purchase, Sale or Redemption of the Company's Listed Securities

The Company repurchased a total of 910,000 Shares of the Company on the Stock Exchange during the year ended 31 December 2014. Details of the repurchases are as follows:

Date of purchase	Number of shares repurchased	Highest price paid per share <i>HK\$</i>	Lowest price paid per share <i>HK\$</i>	Aggregate consideration paid <i>HK\$'000</i>
30 December 2014	675,000	2.82	2.57	1,800
31 December 2014	<u>235,000</u>	2.70	2.58	<u>618</u>
	<u>910,000</u>			<u>2,418</u>

The repurchased Shares above were cancelled on 19 January 2015.

The repurchases were made for the benefit of the Company and its Shareholders as a whole with a view to enhancing the earnings per Share.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2014.

Material Litigation

As at 31 December 2014, the Group was not involved in any material litigation or arbitration. Nor were the Directors aware of any material litigation or claims that were pending or threatened against the Group.

Proposed Final Dividend

The Board recommends the payment of a final dividend of RMB0.064 per Share for the year ended 31 December 2014 (the “**2014 Final Dividend**”) which is subject to the approval of the Shareholders at the AGM. Payout ratio of our unaudited non-IFRS adjusted net profit for the year ended 31 December 2014 is 35%.

Annual General Meeting

The AGM of the Company will be held in Tian Shan & Lu Shan Room, 5/F, Island Shangri-la Pacific Place, Supreme Court Road, Central, Hong Kong on 14 May 2015. A notice of the AGM will be issued and delivered to the Shareholders in due course.

Closure of Register of Members

In order to determine the Shareholders who are entitled to attend and vote at the AGM to be held on 14 May 2015, the register of members of the Company will be closed from 12 May 2015 to 14 May 2015, both dates inclusive, during which period no transfer of shares will be registered.

In addition, in order to determine the Shareholders who are entitled to receive the 2014 Final Dividend, the register of members of the Company will be closed from 20 May 2015 to 22 May 2015, both dates inclusive, during which period no transfer of shares will be registered.

In order to be qualified for attending and voting at the AGM and the entitlement for the 2014 Final Dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on 11 May 2015 and 19 May 2015 respectively.

Employee Pre-IPO Share Option Scheme and Management Pre-IPO Share Option Scheme

Saved as disclosed in the prospectus of the Company dated 18 June 2014, the interim report of the Company for the six months ended 30 June 2014 dated 22 August 2014 and the Share Option Scheme as disclosed in this announcement, no share awards or share options under the Employee Pre-IPO Share Option Scheme and Management Pre-IPO Share Option Scheme have been granted, exercised, lapsed or cancelled during the year ended 31 December 2014 and up to the date of this announcement.

Adoption of Share Option Scheme in November 2014

The Company has adopted a share option scheme (the “**Share Option Scheme**”) in the extraordinary general meeting held on 19 November 2014 (the “**Adoption Date**”) for the purpose of providing incentives and rewards to Directors, executives or officers, employees and other eligible persons. The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes is 78,400,000, being no more than 10% of the Shares in issue as at the Adoption Date.

During the year ended 31 December 2014, no share options have been granted, exercised, lapsed or cancelled.

On 5 January 2015, a total of 47,040,000 Share options (the “**Share Options**”) to subscribe for a maximum of 47,040,000 Shares of the Company were conditionally granted to key employees of the Company under the Share Option Scheme, subject to acceptance of the grantees. Details are described as follows:

Date of Grant:	5 January 2015
Number of shares issuable upon exercise of the Share Options:	47,040,000 Shares, representing 6% of all Shares in issue as at the date of this announcement
Exercise price per share upon exercise of the Share Options:	HK\$2.67 per Share, which exceeds the higher of (i) HK\$2.53, the closing price of the Shares as stated in the daily quotations sheet of the Stock Exchange on the Date of Grant; (ii) HK\$2.67, the average closing price of the Shares as stated in the daily quotations sheets of the Stock Exchange for the five business days immediately preceding the Date of Grant; and (iii) US\$0.00005, the nominal value per Share.
Validity period of the Share Options:	Ten years from the Date of Grant
Vesting period of the Share Options:	<ol style="list-style-type: none">(1) 25% of the Share Options shall vest and be exercisable with effect from the first anniversary of the Date of Grant;(2) further 25% of the Share Options shall vest and be exercisable with effect from the second anniversary of the Date of Grant;(3) further 25% of the Share Options shall vest and be exercisable with effect from the third anniversary of the Date of Grant;(4) the remaining 25% of the Share Options shall vest and be exercisable with effect from the fourth anniversary of the Date of Grant.

In the extraordinary general meeting held on 2 February 2015, the grant of 11,760,000 Share Options to Mr. Yang Eric Qing, an executive Director and 11,760,000 Share Options to Mr. Ng Kwok Leung Frank, an executive Director under the Share Option Scheme to subscribe for 11,760,000 ordinary shares and 11,760,000 ordinary shares respectively of US\$0.00005 each in the share capital of the Company at the exercise price of HK\$2.67 per Share was approved, confirmed and ratified.

Re-designation of Executive Directors as Non-executive Directors

At the request of Mr. Liu Jiang (“**Mr. Liu**”) and Mr. Zhang Rongming (“**Mr. Zhang**”), the Board has re-designated Mr. Liu and Mr. Zhang from executive Directors to non-executive Directors with effect from 27 March 2015. Mr. Zhang would like to stand down as an executive Director of the Company so as to allow himself more time to pursue his other personal and business objectives whilst still being able to contribute his valuable skills and experience to the Company through his new position as a non-executive Director of the Company. With the same reason as Mr. Zhang, Mr. Liu also wishes to spend more time with his family and accordingly, he will be devoting less time in the daily management of the Group by re-designation from an executive Director to a non-executive Director of the Company.

The Board believes that the remaining executive Directors, Mr. Yang Eric Qing and Mr. Ng, will continue to serve the Company in their best endeavors and will ensure the smooth operations of the Company going forward.

The particulars of Mr. Liu and Mr. Zhang are set out below:

(1) *Mr. Liu Jiang*

Mr. Liu, aged 47, has been a Director of the Company since its incorporation and was re-designated as a non-executive Director from 27 March 2015. Mr. Liu joined the Group in December 2010 and holds directorship in Blink Milestones Limited and Sonic Force Limited. He also serves as president and chairman of the board of directors of Hehong Holdings Group, a real estate group. Mr. Liu received his Bachelor of Economics from the East China Jiaotong University, China in 1991.

Save as disclosed above, Mr. Liu has not held any other position with any members of the Group or any directorships in other listed public companies in the last three years.

Mr. Liu has signed a service agreement with the Company for a period of three years subject to the relevant provisions of retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company. Under the terms of Mr. Liu’s service agreement, Mr. Liu is entitled to a basic director’s fee of HK\$1 per annum.

Save as disclosed above, Mr. Liu has no relationship with any Director, senior management, substantial Shareholder or controlling Shareholders of the Company or other members of the Group.

As at the date of the announcement, Mr. Liu is interested in 362,143,364 shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (the “SFO”).

Save as disclosed above, there are no other matters concerning Mr. Liu that need to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, nor any other matters and information that that need to be brought to the attention of the Shareholders or required to be disclosed pursuant to any of the requirements of Rule 13.51 of the Listing Rules.

(2) Mr. Zhang Rongming

Mr. Zhang Rongming, aged 52, has been a Director of the Company since its incorporation and was re-designated as a non-executive Director from 27 March 2015. Mr. Zhang joined the Group in December 2010 and holds directorship in Elite Vessels Limited. Mr. Zhang was an independent director on the board of Lancy Co., Ltd., a PRC-listed company and resigned in December 2012. He also serves as chairman of the board of directors and general manager of Beijing Aimer Lingerie Co., Ltd.. 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.

Save as disclosed above, Mr. Zhang has not held any other position with any members of the Group or any directorships in other listed public companies in the last three years.

Mr. Zhang has signed a service agreement with the Company for a period of three years subject to the relevant provisions of retirement by rotation and re-election at the annual general meetings of the Company in accordance with the articles of association of the Company. Under the terms of Mr. Zhang's service agreement, Mr. Zhang is entitled to a basic director's fee of HK\$1 per annum.

Save as disclosed above, Mr. Zhang has no relationship with any Director, senior management, substantial Shareholder or controlling Shareholders of the Company or other members of the Group.

As at the date of this announcement, Mr. Zhang is interested in 362,143,364 shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed above, there are no other matters concerning Mr. Zhang that need to be disclosed pursuant to paragraphs (h) to (v) of Rule 13.51(2) of the Listing Rules, nor any other matters and information that that need to be brought to the attention of the Shareholders or required to be disclosed pursuant to any of the requirements under Rule 13.51 of the Listing Rules.

Scope of work of the Auditors

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2014 have been agreed by the Company's auditors, Grant Thornton Hong Kong Limited (the "**Auditors**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditors in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditors on the preliminary announcement.

ANNUAL RESULTS

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2014

		2014	2013
	Notes	RMB'000	RMB'000
Revenue	3	475,769	236,300
Cost of revenue		<u>(181,269)</u>	<u>(79,803)</u>
Gross profit		294,500	156,497
Other income	4	23,398	4,649
Selling and marketing expenses		(70,416)	(45,476)
Administrative expenses		(70,986)	(34,714)
Share-based compensation expense	13	(29,141)	(490)
Research and development expenses		<u>(35,756)</u>	<u>(35,699)</u>
Profit before income tax		111,599	44,767
Income tax expense	6	<u>(13,956)</u>	<u>(4,306)</u>
Profit for the year	5	<u>97,643</u>	<u>40,461</u>
Other comprehensive loss			
Items that may be subsequently reclassified to profit or loss:			
Currency translation differences		<u>(3,379)</u>	<u>—</u>
Total comprehensive income for the year		<u>94,264</u>	<u>40,461</u>
Profit for the year attributable to:			
Equity holders of the Company		97,641	35,052
Non-controlling interests		<u>2</u>	<u>5,409</u>
		<u>97,643</u>	<u>40,461</u>

		2014	2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Total comprehensive income for the year attributable to:			
Equity holders of the Company		94,262	35,052
Non-controlling interests		<u>2</u>	<u>5,409</u>
		<u>94,264</u>	<u>40,461</u>
Earnings per share attributable to ordinary equity holders of the Company (expressed in RMB cents per share)			
Basic	8	<u>16.26</u>	<u>8.52</u>
Diluted	8	<u>14.18</u>	<u>8.52</u>

Consolidated Statement of Financial Position

As at 31 December 2014

	Notes	2014 RMB'000	2013 RMB'000
Non-current assets			
Property, plant and equipment		12,061	9,168
Intangible assets		47,942	43,318
Available-for-sale financial assets		15,435	—
Interests in associates		13,682	7,000
Deferred tax assets		<u>104</u>	<u>158</u>
		89,224	59,644
Current assets			
Inventories		1,581	1,169
Trade and other receivables	9	130,522	58,467
Loans to shareholders	10	—	25,000
Available-for-sale financial assets		25,000	5,000
Bank balances and cash		<u>718,979</u>	<u>58,716</u>
		876,082	148,352
Current liabilities			
Trade and other payables	11	44,581	27,829
Deferred revenue		20,798	29,467
Income tax liabilities		<u>10,011</u>	<u>1,484</u>
		75,390	58,780
Net current assets		800,692	89,572
Total assets less current liabilities		889,916	149,216
EQUITY			
Share/Paid-in capital	12	238	72,061
Reserves		<u>889,588</u>	<u>77,067</u>
Equity attributable to equity holders of the Company		889,826	149,128
Non-controlling interests		<u>90</u>	<u>88</u>
Total equity		889,916	149,216

Consolidated Statement of Changes in Equity

For the year ended 31 December 2014

	Equity attributable to equity holders of the Company							Non-controlling interests	Total equity
	Share/Paid-in 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	
Balance at 1 January 2013	62,640	1,266	2,065	—	—	9,658	14,831	90,460	108,204
Total comprehensive income for the year									
Profit for the year	—	—	—	—	—	—	35,052	35,052	40,461
Transactions with owners									
Shares issued on incorporation of the Company (Note 12(i))	61	—	—	—	—	—	—	61	61
Share-based compensation (Note 13)	—	—	—	—	—	490	—	490	490
Appropriation to statutory reserve	—	—	4,075	—	—	—	(4,075)	—	—
Acquisition of additional interest in subsidiaries by equity holders of the Company (Note 12)	9,360	—	—	—	—	13,705	—	23,065	(23,065)
Total transactions with owners	9,421	—	4,075	—	—	14,195	(4,075)	23,616	551
Balance at 31 December 2013 and at 1 January 2014	72,061	1,266	6,140	—	—	23,853	45,808	149,128	149,216
Total comprehensive income for the year									
Profit for the year	—	—	—	—	—	—	97,641	97,641	97,643
Other comprehensive loss for the year									
Currency translation differences	—	—	—	(3,379)	—	—	—	(3,379)	(3,379)
	—	—	—	(3,379)	—	—	97,641	94,262	94,264
Transactions with owners									
Issuance of Series A Preferred Shares (Note 12(iii))	24	299,976	—	—	—	—	—	300,000	300,000
Capitalisation issue (Note 12(iv))	93	(93)	—	—	—	—	—	—	—
Issuance of new shares in connection with the listing of the Company's shares (Note 12(v))	60	661,147	—	—	—	—	—	661,207	661,207
Share issuance expenses (Notes 12(iii) & (v))	—	(41,998)	—	—	—	—	—	(41,998)	(41,998)
Share-based compensation (Note 13)	—	—	—	—	25,233	3,908	—	29,141	29,141
Appropriation to statutory reserve	—	—	12,743	—	—	—	(12,743)	—	—
Reorganization (Note 12)	(72,000)	(1,266)	—	—	—	73,266	—	—	—
Share repurchased and not yet cancelled (Note 12(viii))	—	(1,916)	—	—	—	—	—	(1,916)	(1,916)
Dividends paid (Note 7)	—	(296,498)	—	—	—	—	(3,500)	(299,998)	(299,998)
Total transactions with owners	(71,823)	619,352	12,743	—	25,233	77,174	(16,243)	646,436	646,436
Balance at 31 December 2014	238	620,618	18,883	(3,379)	25,233	101,027	127,206	889,826	889,916

Consolidated Statement of Cash Flows

For the year ended 31 December 2014

	2014	2013
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from operating activities		
Profit before income tax	111,599	44,767
Adjustments for:		
Depreciation of property, plant and equipment	6,134	5,318
Amortisation of intangible assets	12,604	9,505
Interest income	(12,165)	(989)
Provision for doubtful trade receivables	2,155	—
Write off of intangible assets	92	—
Gain on disposal of property, plant and equipment	—	(149)
Share-based compensation expense	29,141	490
Currency translation adjustment	(3,375)	—
Operating profit before working capital changes	146,185	58,942
Increase in inventories	(412)	(533)
Increase in trade and other receivables	(69,997)	(36,479)
Increase in trade and other payables	15,559	3,314
(Decrease)/Increase in deferred revenue	(8,669)	8,747
Cash generated from operations	82,666	33,991
Interest received	7,951	989
Income tax paid	(5,375)	(4,596)
Net cash from operating activities	85,242	30,384
Cash flows from investing activities		
Increase in time deposits with original maturities exceeding three months	(351,636)	—
Purchase of property, plant and equipment	(8,222)	(7,405)
Proceeds from disposal of property, plant and equipment	—	151
Purchase of intangible assets	(4,158)	(15,618)
Addition in development costs through internal development	(12,777)	(12,383)
Investments in associates	(6,682)	—
Purchase of available-for-sale financial assets	(40,435)	(7,000)
Proceeds from disposal of available-for-sale financial assets	5,000	—
Repayment/(Addition) in loans to shareholders	25,000	(25,000)
Net cash used in investing activities	(393,910)	(67,255)

		2014	2013
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities			
Dividends paid		(299,998)	—
Proceeds from issuance of Series A Preferred Shares	12	300,000	—
Proceeds from issuance of new shares in connection with the listing of the Company's shares	12	661,207	—
Payment for repurchase of shares	12	(1,916)	—
Payment of share issuance expenses		<u>(41,998)</u>	<u>—</u>
Net cash from financing activities		<u>617,295</u>	<u>—</u>
Net increase/(decrease) in cash and cash equivalents		308,627	(36,871)
Cash and cash equivalents at beginning of year		<u>58,716</u>	<u>95,587</u>
Cash and cash equivalents at end of year		<u><u>367,343</u></u>	<u><u>58,716</u></u>
Analysis of balances of cash and cash equivalents:			
Bank balances and cash		718,979	58,716
Less: time deposits with original maturities exceeding three months		<u>(351,636)</u>	<u>—</u>
		<u><u>367,343</u></u>	<u><u>58,716</u></u>

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

1. GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

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 Company’s shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited since 30 June 2014 (the “Listing”).

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 “Group’s Game Business”) in the People’s Republic of China (the “PRC”).

At 31 December 2014, the directors consider the ultimate controlling party of the Company to be Mr. Zhang Rongming, Mr. Liu Jiang, Mr. Shen Dongri and Ms. Long Qi (collectively, the “Controlling Shareholders”) through their respective wholly-owned companies, namely Elite Vessels Limited, Sonic Force Limited, Blink Milestones Limited (“Blink Milestones”), Prosper Macrocosm Limited and Golden Liberator Limited (the “Shareholders’ Companies”).

The functional currency of the Company is United States dollars. As the game development and operation of the Group during the years are within the PRC, the Group determined to present the consolidated financial statements in Renminbi (“RMB”), unless otherwise stated.

1.2 Reorganization and basis of presentation

Prior to the incorporation of the Company and completion of the group reorganization (the “Reorganization”) on 28 January 2014 in preparation for the Listing, the Group’s Game Business was carried out by Beijing Lianzhong Co., Ltd. (北京聯眾互動網絡股份有限公司, “Lianzhong”) and its subsidiaries (collectively the “Lianzhong Group”) which were under the control of the Controlling Shareholders. Pursuant to the Reorganization, both the Lianzhong Group and the Group’s Game Business are put under the effective control of Beijing Lianzhong Garden Network Technology Co., Ltd (北京聯眾家園網絡科技有限責任公司, “WFOE”), and ultimately the Company, through a series of contractual agreements signed on 28 January 2014 (the “Contractual Arrangements”). The details of the Reorganization and the Contractual Arrangements are set out in the prospectus issued by the Company dated 18 June 2014 (the “Prospectus”).

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 Group’s Game Business and does not result in any changes in business substance, nor in any management or Controlling Shareholders of the Group’s Game Business, before and after the Reorganization. Accordingly, the financial statements of the companies now comprising the Group is presented using the carrying values of the Group’s Game Business for the years ended 31 December 2013 and 2014.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards (“IFRSs”). The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets which are carried at fair value.

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of the Group.

Changes in accounting policy and disclosures

The Group has applied all the new standards, amendments to standards and interpretations, which are mandatory for the financial year beginning 1 January 2014. The adoption had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been adopted early by the Group. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity’s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the “hedged ratio” to be the same as the one management actually use for risk management purposes. 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.

3. 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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
PC games	305,760	210,669
Mobile games	153,393	15,628
Others (<i>note</i>)	<u>16,616</u>	<u>10,003</u>
	<u><u>475,769</u></u>	<u><u>236,300</u></u>

Note: Others mainly represent miscellaneous revenue derived from game tournaments organised by the Group, 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 years ended 31 December 2014 and 2013.

As of 31 December 2014 and 2013, majority of the non-current assets (other than financial instruments and deferred tax assets) of the Group were located in the PRC.

4. OTHER INCOME

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Other revenue		
Interest income	<u>12,165</u>	<u>989</u>
Other net income		
Subsidy income from government (<i>note</i>)	3,488	3,172
Net foreign exchange gain	7,301	—
Sundry income	<u>444</u>	<u>488</u>
	<u><u>11,233</u></u>	<u><u>3,660</u></u>
	<u><u>23,398</u></u>	<u><u>4,649</u></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.

5. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging/(crediting):

	2014 RMB'000	2013 RMB'000
Employee benefit expenses		
Salaries, bonus and allowances	69,204	54,454
Retirement benefit scheme contributions	13,028	15,688
Severance payments	439	2,350
Share-based compensation expense	<u>29,141</u>	<u>490</u>
	<u>111,812</u>	<u>72,982</u>
Other items		
Auditors' remuneration	1,443	342
Listing-related expenses	17,697	1,783
Depreciation of property, plant and equipment	6,134	5,318
Amortisation of intangible assets	12,604	9,505
Provision for doubtful trade receivables	2,155	—
Gain on disposal of property, plant and equipment	—	(149)
Net foreign exchange (gain)/loss	(7,301)	177
Operating lease charges on office premises	<u>11,057</u>	<u>6,404</u>

6. INCOME TAX EXPENSE

	2014 RMB'000	2013 RMB'000
Current tax — PRC enterprise income tax		
Current year	13,756	3,706
Under-provision in respect of prior year	<u>146</u>	<u>—</u>
	<u>13,902</u>	<u>3,706</u>
Deferred tax		
Origination and reversal of temporary differences	54	347
Effect on deferred tax balances at 1 January 2013 resulting from a change in tax rate	<u>—</u>	<u>253</u>
	<u>54</u>	<u>600</u>
Income tax expense	<u>13,956</u>	<u>4,306</u>

The difference between the actual income tax charge in the consolidated statement 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:

	2014 <i>RMB'000</i>	2013 <i>RMB'000</i>
Profit before income tax	<u>111,599</u>	<u>44,767</u>
Tax on profit before income tax, calculated at the statutory rates applicable to profits in the tax jurisdiction concerned	34,748	11,836
Tax effect on non-deductible expenses	1,587	150
Tax effect of deductible temporary differences not recognised	54	—
Tax effect on preferential income tax rates applicable to a subsidiary	(20,979)	(7,127)
Tax effect on super deduction in research and development activities	(1,600)	(806)
Effect on deferred tax balances at 1 January 2013 resulting from a change in tax rate	—	253
Under-provision in respect of prior year	<u>146</u>	<u>—</u>
Income tax expense	<u>13,956</u>	<u>4,306</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 years ended 31 December 2014 and 2013. Hong Kong profits tax has not been provided as the Group had no estimated assessable profits in Hong Kong for the years ended 31 December 2014 and 2013.

(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 year based on the existing legislation, interpretations and practices in respect thereof. The applicable income tax rate is 25%.

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 made its best estimate for the Super Deduction to be claimed in ascertaining their assessable profits for the years ended 31 December 2014 and 2013.

(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%.

7. DIVIDENDS

	Notes	2014 RMB'000	2013 RMB'000
Dividend declared by the Company	(a)	296,498	—
Dividend declared by Lianzhong	(b)	<u>3,500</u>	<u>—</u>
		<u>299,998</u>	<u>—</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 year ended 31 December 2014. The preferred shareholders of the Company and Blink Milestones have waived their entitlement to the special dividend. Blink Milestones is a company wholly owned and controlled by Mr. Liu Jiang, a controlling shareholder of the Company.
- (b) Dividends disclosed during the year ended 31 December 2014 represented dividends declared before the Contractual Arrangements (as defined in the Prospectus) 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 these financial statements.

A final dividend for the year ended 31 December 2014 of RMB0.064 per share amounting to approximately RMB50,118,000 has been proposed by the Board of Directors of the Company (the "Board") after the reporting date. The proposed dividend will be accounted for as an appropriation of accumulated profits in the year ending 31 December 2015 if it is approved by the shareholders in the forthcoming annual general meeting of the Company.

8. EARNINGS PER SHARE

Earnings per share attributable to ordinary equity holders of the Company

For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have issued and allotted on 1 January 2013 as if the Company has been established by then. In addition, the number of ordinary shares during the respective year have also been adjusted retrospectively for the proportional change in the number of shares outstanding as a result of the share sub-division and the capitalisation issue as detailed in Note 12, in the computation of both basic and diluted earnings per share for the years ended 31 December 2013 and 2014.

(a) *Basic earnings per share*

Basic earnings per share for the year is calculated by dividing the profit attributable to equity holders of the Company of RMB97,641,000 (2013: RMB35,052,000) by the weighted average number of ordinary shares of 600,346,342 shares (2013: 411,600,000 shares) in issue during the year, excluding the ordinary shares purchased by the Company and held as treasury shares (Note 12(viii)).

(b) *Diluted earnings per share*

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There were no dilutive potential ordinary shares for the year ended 31 December 2013. For the year ended 31 December 2014, the Company has two categories of dilutive ordinary shares, the Series A Preferred Shares and the Management Pre-IPO Share Option Scheme.

Diluted earnings per share for the year is calculated by dividing the profit attributable to equity holders of the Company of RMB97,641,000 (2013: RMB35,052,000) by the weighted average number of ordinary shares of 688,673,471 shares (2013: 411,600,000 shares) in issue during the year, calculated as follows:

	2014	2013
Weighted average number of ordinary shares for the purpose of basic earnings per share	600,346,342	411,600,000
Adjustment for Series A Preferred Shares	67,660,274	—
Adjustment for Management Pre-IPO Share Option Scheme	<u>20,666,855</u>	<u>—</u>
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<u>688,673,471</u>	<u>411,600,000</u>

Earnings per share attributable to Series A Preferred Shares holders of the Company

As detailed in Note 12, the Company has completed the issue of 85,714,284 Series A Preferred Shares to the investors on 10 February 2014. On 30 June 2014, upon the Listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), all the Series A Preferred Shares were automatically converted into ordinary shares, on a one-for-one basis. As the Series A Preferred Shares were issued and fully converted into ordinary shares during the year ended 31 December 2014, earnings per share (basic and diluted) attributable to Series A Preferred Shares holders of the Company are not presented as such information is not considered meaningful for the purpose of these financial statements.

9. TRADE AND OTHER RECEIVABLES

	<i>Notes</i>	2014 RMB'000	2013 <i>RMB'000</i>
Trade receivables	<i>(a)</i>		
From third parties		100,259	36,325
Less: provision for impairment of trade receivables		<u>(2,738)</u>	<u>(583)</u>
		<u>97,521</u>	<u>35,742</u>
Other receivables	<i>(b)</i>		
Deposits, prepayments and other receivables		27,846	21,094
Advances to employees		1,324	1,755
Amounts due from shareholders		17	61
Amount due from an associate		600	—
Interest receivables		4,214	—
Deferred IPO costs		<u>—</u>	<u>815</u>
		34,001	23,725
Less: provision for impairment of other receivables		<u>(1,000)</u>	<u>(1,000)</u>
		<u>33,001</u>	<u>22,725</u>
		<u>130,522</u>	<u>58,467</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 reporting dates is as follows:

	2014 RMB'000	2013 <i>RMB'000</i>
0–30 days	15,729	10,589
31–60 days	16,303	9,308
61–90 days	13,013	8,772
91–180 days	23,622	6,832
181–365 days	28,944	164
Over 1 year	<u>2,648</u>	<u>660</u>
	<u>100,259</u>	<u>36,325</u>

(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 and an associate are unsecured, interest-free and repayable on demand.

There were no movement in the provision for impairment of other receivables during the years ended 31 December 2013 and 2014.

10. LOANS TO SHAREHOLDERS

Loans to shareholders were unsecured, interest-free and repayable on demand. As at 31 December 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 year ended 31 December 2014.

11. TRADE AND OTHER PAYABLES

	<i>Notes</i>	2014 RMB'000	2013 RMB'000
Trade payables			
To third parties		25,769	12,419
To an associate		<u>20</u>	<u>79</u>
	(a)	<u>25,789</u>	<u>12,498</u>
Other payables			
Receipts in advance		428	82
Other payables and accrued charges		6,693	7,213
Other tax liabilities		3,103	1,670
Staff costs and welfare accruals		8,235	5,700
Deferred income related to government grants		<u>333</u>	<u>666</u>
		<u>18,792</u>	<u>15,331</u>
		<u>44,581</u>	<u>27,829</u>

All amounts are short-term and hence the carrying values of the Group's trade and other payables as at 31 December 2014 and 2013 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:

	2014	2013
	<i>RMB'000</i>	<i>RMB'000</i>
0–30 days	10,986	5,395
31–60 days	10,043	2,673
61–90 days	1,440	611
91–180 days	1,329	912
181–365 days	1,750	888
Over 1 year	241	2,019
	<u>25,789</u>	<u>12,498</u>

12. SHARE/PAID-IN CAPITAL

The capital as at 31 December 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.

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 Suzhou Hongda Jiuding Venture Investment Centre (LLP) ("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.

With the completion of the Reorganization on 28 January 2014, the capital as at 31 December 2014 represents the issued share capital of the Company. 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.

Details of the movements in the share capital of the Company since its date of incorporation to 31 December 2014 are detailed below.

		Number of shares	Nominal value of shares US\$'000	Equivalent nominal value of shares RMB'000
	Notes			
Authorised:				
<i>Ordinary shares of the Company:</i>				
Ordinary shares upon incorporation	(i)	50,000	50	
At 31 December 2013		50,000	50	
Share sub-division	(ii)	999,950,000	—	
Re-designation and reclassification on 30 January 2014	(ii)	(85,714,284)	(4)	
Re-designation and reclassification on 30 June 2014	(vii)	176,400,000	9	
Increase in authorised share capital	(vii)	8,909,314,284	445	
At 31 December 2014		10,000,000,000	500	
<i>Non-redeemable convertible Series A Preferred Shares of the Company:</i>				
Upon incorporation and at 31 December 2013		—	—	
Re-designation and reclassification on 30 January 2014	(ii)	85,714,284	4	
Increase in authorised share capital	(iv)	90,685,716	5	
Re-designation and reclassification on 30 June 2014	(vii)	(176,400,000)	(9)	
At 31 December 2014		—	—	
Issued and fully paid:				
<i>Ordinary shares:</i>				
Issued upon incorporation and at 31 December 2013	(i)	10,000	10	61
Share sub-division	(ii)	199,990,000	—	—
Issuance of shares upon capitalisation issue	(iv)	211,600,000	10	65
Issuance of new shares in connection with the listing of the Company's shares	(v)	196,000,000	10	60
Conversion of Series A Preferred Shares	(vi)	176,400,000	9	52
At 31 December 2014		784,000,000	39	238
<i>Non-redeemable convertible Series A Preferred Shares:</i>				
Upon incorporation and at 31 December 2013		—	—	—
Issuance of shares on 31 January 2014	(iii)	85,714,284	4	24
Issuance of shares upon capitalisation issue	(iv)	90,685,716	5	28
Conversion of Series A Preferred Shares	(vi)	(176,400,000)	(9)	(52)
At 31 December 2014		—	—	—
At 31 December 2014		784,000,000	39	238
At 31 December 2013		10,000	10	61

(i) 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.

(ii) 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 re-classification 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 are summarised in note (iii) below.

(iii) 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 RMB300,000,000), of which approximately US\$4,000 (equivalent to RMB24,000) was credited to share capital of the Company and the balance of US\$49,136,000 (equivalent to 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.

Share issuance expenses directly attributable to the issue of Series A Preferred Shares amounting to RMB607,000 was treated as a deduction against the share premium account arising from the issuance.

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.

(iv) Increase in authorised share capital of Series A Preferred Shares and Capitalisation Issue

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.

On the same date, the shareholders have approved and the Directors were authorised to capitalise an amount of approximately US\$15,000 (equivalent to RMB93,000) 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. The Capitalisation Issue was completed on 30 June 2014.

(v) Issuance of new shares in connection with the listing of the Company's shares

On 30 June 2014, upon its Listing on the Main Board of the Stock Exchange, the Company issued 196,000,000 new ordinary shares at par value of US\$0.00005 per share for cash consideration of HK\$4.25 each, and raised gross proceeds of approximately HK\$833,000,000 (equivalent to RMB661,207,000), of which RMB60,000 was credited to share capital and the balance of RMB661,147,000 was credited to the share premium account of the Company.

Share issuance expenses mainly include share underwriting commission, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that are directly attributable to the issue of the new shares amounting to RMB41,391,000 was treated as a deduction against the share premium account arising from the issuance.

(vi) Conversion of Series A Preferred Shares

On 30 June 2014, upon the Listing of the Company on the Main Board of the Stock Exchange, all the 176,400,000 Series A Preferred Shares were automatically converted into ordinary shares, on a one-for-one basis (the “Conversion”).

(vii) Change of authorised share capital of the Company immediately after the completion of the Conversion

Pursuant to the written resolutions of the directors and shareholders passed on 12 June 2014, immediately after the completion of the Conversion on 30 June 2014, 176,400,000 Series A Preferred Shares of a par value of US\$0.00005 each in the authorised share capital of the Company was reclassified and re-designated into ordinary shares of a par value of US\$0.00005 and that the authorised share capital of the Company was increased from US\$55,000 to US\$500,000 by the creation of an additional 8,909,314,284 ordinary shares of a par value of US\$0.00005 each.

(viii) Repurchase of shares

During the year ended 31 December 2014, the Company repurchased its own ordinary shares on the Stock Exchange as follows:

Month of repurchase	Number of shares repurchased	Highest price paid per share HK\$	Lowest price paid per share HK\$	Aggregate consideration paid HK\$'000	Equivalent aggregate consideration paid RMB'000
December 2014	<u>910,000</u>	<u>2.82</u>	<u>2.57</u>	<u>2,418</u>	<u>1,916</u>

As at 31 December 2014, the 910,000 shares repurchased were recognised as treasury shares and were subsequently cancelled in January 2015.

13. 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

In 2012, Mr. Zhang Rongming and Mr. Li Jianhua have awarded their 99.99% equity interest in Beijing Tongshengcheng Investment Management Center (LLP) (the “2012 Awarded Shares”) to certain employees of the Group (the “Participants”). Beijing Tongshengcheng Investment Management Center (LLP) (“Tongshengcheng”) is a limited partnership in the PRC which owned 10% equity interest in Lianzhong at the date of transfer. On 20 February 2014, as part of the Reorganization, Tongshengcheng ceased to hold shares of Lianzhong and an agreement was entered between Blink Milestones, Tongshengcheng, the existing Participants, Lianzhong and the controlling shareholders 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”). 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) and 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, 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. Blink Milestones is an investment holding company and owned 12.43% equity interest in

the Company at the date of grant. 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.

The number of share options and exercise price of the 2014 Blink Milestones Share Options are subject to adjustment upon certain events. Upon the completion of the Capitalisation Issue as detailed in Note 12, the number of share options and exercise price per share has been 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 during the years ended 31 December 2013 and 2014 are stated below.

Movements in the 2012 Awarded Shares are as follows:

	Nominal value of 2012 Awarded Shares RMB'000
At 1 January 2013	6,952
Forfeited during the year	<u>(3,195)</u>
At 31 December 2013	<u><u>3,757</u></u>
At 1 January 2014	3,757
Forfeited during the year	(92)
Cancelled and replaced during the year	<u>(3,665)</u>
At 31 December 2014	<u><u>—</u></u>

Movements in the number of 2014 Blink Milestones Share Options are as follows:

	Average exercise price in RMB per share option RMB	Number of share options
At 1 January 2014		—
Granted during the year*	0.1276	<u>25,009,600</u>
At 31 December 2014		<u><u>25,009,600</u></u>

* Adjusted for Capitalisation Issue

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:

20 February 2014

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 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 optimise 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 year ended 31 December 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.

On 30 June 2014, upon the completion of the Capitalisation Issue and the Listing on the Main Board of the Stock Exchange, the total number of share options granted equate to 50,042,553 share options at an adjusted exercise price of US\$0.16714303 per share. Movements in the number of share options during the year are as follows:

			Outstanding as at 1 January 2014	Granted during the year	Outstanding as at 31 December 2014
	Exercisable period	Exercise price per share US\$			
Directors	20 February 2015 to 19 February 2024	0.16714303	—	41,702,128	41,702,128
Employee	20 February 2015 to 19 February 2024	0.16714303	—	8,340,425	8,340,425
			<u>—</u>	<u>50,042,553</u>	<u>50,042,553</u>

None of the share options granted were lapsed or exercised during the year ended 31 December 2014.

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 inputs into the model were as follows:

20 February 2014

Exercise price	US\$0.34398035
Expected volatility	50%
Expected life	10 years
Risk-free rate	4.6792%
Expected dividend yield	—

(c) Share Option Scheme adopted by the Company in November 2014

Pursuant to an ordinary resolution passed at the extraordinary general meeting of the Company held on 19 November 2014, a share option scheme was adopted by the Company and is valid and effective for a period of ten years from 19 November 2014 (the “2014 Share Option Scheme”).

The purpose of the 2014 Share Option Scheme is to provide eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other person who, in the sole discretion of the board of directors, have contributed or will contribute to the Group are eligible to participate in the 2014 Share Option Scheme. Each grant of options to any director of the Company, the chief executive officer or substantial shareholder of the Company must first be approved by the independent non-executive directors of the Company.

The maximum number of shares to be issued upon exercise of all outstanding options granted and yet to be exercised under the 2014 Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 30% of the issued share capital of the Company from time to time.

Shares which may be issued upon exercise of all options to be granted under the 2014 Share Option Scheme or any other share option schemes adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption (the “Option Scheme Mandate Limit”).

The Option Scheme Mandate Limit may be refreshed at any time by obtaining approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”). However, the refreshed Option Scheme Mandate Limit cannot exceed 10% of the total number of shares of the Company in issue as at the date of such approval.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the 2014 Share Option Scheme or any other share option schemes adopted by the Company in any 12-month period must not exceed 1% of the issued share capital of the Company.

The period within which the options must be exercised will be specified by the Company at the time of grant. The options may be exercised up to 25% for each year after the first anniversary of the date of grant for four consecutive years.

At the time of grant of the options, the Company may specify a minimum period for which an option must be held and/or any minimum performance target(s) that must be achieved, before the option can be exercised in whole or in part. The offer of a grant of share options may be accepted within 20 business days from the date of offer, the offer is delivered to that participant and the amount payable on acceptance of options is RMB1.

The subscription price for the shares under the 2014 Share Option Scheme shall be a price determined by the Board, but not less than the greater of (i) the closing price of shares as stated on the Stock Exchange on the date of the offer of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of the offer of grant; and (iii) the nominal value of the shares.

No options may be granted under the 2014 Share Option Scheme after the date of the tenth anniversary of its adoption.

No option was granted under the 2014 Share Option Scheme during the year ended 31 December 2014.

- (d) The Group recognised a total expense of RMB29,141,000 (2013: RMB490,000) for the year in relation to the above share awards or share options granted by the shareholders or the Company, and the share-based compensation expense were shown as a separate item on the face of the consolidated statement of comprehensive income.

14. SUBSEQUENT EVENTS

The following significant events took place subsequent to 31 December 2014:

(a) Share options granted in 2015

On 5 January 2015, 47,040,000 options were granted by the Company to the key employees of the Company, including certain directors, under the 2014 Share Option Scheme with estimated total fair value of approximately RMB40,378,000. The closing price of the Company's shares immediately before the date on which the options granted was HK\$2.53. The exercise price of the share options granted is HK\$2.67 per share. The share options are valid for a period of 10 years and subject to a vesting scale in equal proportions of 25% on every anniversary date of the date of grant, starting from the first anniversary date until the fourth.

(b) Additional acquisition in Shanghai Wangyu Information Technology Company Limited (上海網魚信息科技有限公司, "Wangyu IT") and Shanghai Wangyu Network Development Company Limited (上海網魚網絡發展有限公司, "Wangyu Network")

On 27 January 2015, the Group has obtained an additional 5.7143% interest in each of Wangyu IT and Wangyu Network, increasing its equity interest from 4.2857% to 10% at a consideration of RMB20,000,000 and the acquired companies are classified as available-for-sale financial assets in the consolidated financial statements of the Company.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement has been published on the website of the Stock Exchange at *www.hkexnews.hk* and the website of the Company at *www.ourgame.com*. The annual report of the Group for the year ended 31 December 2014 will be published on the aforesaid websites of the Stock Exchange and the Company and will be dispatched to the Shareholders on or before 30 April 2015.

By order of the Board
Ourgame International Holdings Limited
Yang Eric Qing
Chairman and Executive Director

Hong Kong, 27 March 2015

As at the date of this announcement, the executive Directors are Mr. Yang Eric Qing and Mr. Ng Kwok Leung Frank; the non-executive Directors are Mr. Liu Jiang, Mr. Zhang Rongming, Mr. Fan Tai and Mr. Chen Xian; the independent non-executive Directors are Mr. Ge Xuan, Mr. Lu Zhong and Mr. Cheung Chung Yan David.

* *For identification purpose only*