

藍港互動有限公司

Linekong Interactive Co., Ltd.

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8267

LINEKONG

藍港互動



GLOBAL OFFERING

Joint Sponsors



Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers



IMPORTANT

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

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LISTING ON THE GROWTH ENTERPRISE MARKET OF THE STOCK EXCHANGE OF HONG KONG LIMITED BY WAY OF GLOBAL OFFERING

Number of Offer Shares under the Global Offering	:	110,952,000 Shares (comprising 73,968,000 New Shares and 36,984,000 Sale Shares and subject to the Over-allotment Option)
Number of Hong Kong Offer Shares	:	11,096,000 New Shares (subject to reallocation)
Number of International Offer Shares	:	99,856,000 Shares (comprising 62,872,000 New Shares and 36,984,000 Sale Shares subject to reallocation and the Over-allotment Option)
Maximum Offer Price	:	HK\$13.10 per Offer Share, plus brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars and subject to refund)
Nominal value	:	US\$0.000025 per Share
Stock code	:	8267

Joint Sponsors



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

A copy of this prospectus, having attached thereto the documents specified in the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection" in Appendix V, has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be determined by agreement between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on or around Friday, December 12, 2014 and, in any event, not later than Tuesday, December 16, 2014. The Offer Price will be not more than HK\$13.10 per Offer Share and is currently expected to be not less than HK\$9.80 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$13.10 per Offer Share for each Hong Kong Offer Share together with brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$13.10 per Offer Share.

If, for any reason, the Offer Price is not agreed by Tuesday, December 16, 2014 between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us, the Global Offering will not proceed and will lapse.

The Joint Global Coordinators (on behalf of the Hong Kong Underwriters) may, where considered appropriate and with our consent, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that stated in this prospectus (which is HK\$9.80 to HK\$13.10) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.linekong.com. Further details are set forth in the sections headed "Structure of the Global Offering" and "How to Apply for Hong Kong Offer Shares" in this prospectus.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including the risk factors set out in the section headed "Risk Factors" in this prospectus.

Prospective investors of the Hong Kong Offer Shares should note that the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement to subscribe, and to procure subscribers to subscribe for, the Hong Kong Offer Shares, are subject to termination by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination" in this prospectus. It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act or any state securities law in the United States and may not be offered, sold, pledged or transferred within the United States, except that Offer Shares may be offered, sold or delivered to QIBs in reliance on an exemption from registration under the U.S. Securities Act provided by, and in accordance with the restrictions of, Rule 144A or another exemption from the registration requirements of the U.S. Securities Act. The Offer Shares may be offered, sold or delivered outside the United States in offshore transactions in accordance with Regulation S.

December 9, 2014

CHARACTERISTICS OF GEM

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

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

EXPECTED TIMETABLE

Latest time for completing electronic applications under White Form eIPO service through the designated website www.eipo.com.hk ⁽²⁾	11:30 a.m. on Friday, December 12, 2014
Application lists open ⁽³⁾	11:45 a.m. on Friday, December 12, 2014
Latest time for lodging WHITE and YELLOW Application Forms	12:00 noon on Friday, December 12, 2014
Latest time for completing payment of WHITE Form eIPO applications by effecting internet banking transfer(s) or PPS payment transfer(s)	12:00 noon on Friday, December 12, 2014
Latest time for giving electronic application instructions to HKSCC ⁽⁴⁾	12:00 noon on Friday, December 12, 2014
Application lists close ⁽³⁾	12:00 noon on Friday, December 12, 2014
Expected Price Determination Date ⁽⁵⁾	Friday, December 12, 2014
(1) Announcement of the Offer Price, the level of indications of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares under the Hong Kong Public Offering to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) on or before	Thursday, December 18, 2014
(2) Results of allocations in the Hong Kong Public Offering (with successful applicants' identification document numbers, where appropriate) to be available through a variety of channels as described in the section headed "How to Apply for Hong Kong Offer Shares — 11. Publication of Results" in this prospectus	Thursday, December 18, 2014
(3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the website of the Stock Exchange at www.hkexnews.hk and our Company's website at www.linekong.com ⁽⁶⁾ from	Thursday, December 18, 2014
Results of allocations in the Hong Kong Public Offering will be available at www.iporesults.com.hk with a "search by ID" function from	Thursday, December 18, 2014
Dispatch of Share certificates or deposit of the Share certificates into CCASS in respect of wholly or partially successful applications pursuant to the Hong Kong Public Offering on or before ⁽⁷⁾⁽⁹⁾	Thursday, December 18, 2014
Dispatch of refund cheques and White Form e-Refund payment instructions in respect of wholly or partially successful applications (if applicable) or wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering on or before ⁽⁸⁾⁽⁹⁾	Thursday, December 18, 2014
Dealings in the Shares on GEM expected to commence on	Friday, December 19, 2014

EXPECTED TIMETABLE

Notes:

- (1) All times refer to Hong Kong local time, except as otherwise stated.
- (2) You will not be permitted to submit your application through the designated website at www.eipo.com.hk after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website at or before 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 12, 2014, the application lists will not open or close on that day. See “How to Apply for Hong Kong Offer Shares — 10. Effect of Bad Weather on the Opening of the Application Lists” in this prospectus.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed “How to Apply for Hong Kong Offer Shares — 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS” in this prospectus.
- (5) The Price Determination Date is expected to be on or around Friday, December 12, 2014 and, in any event, not later than Tuesday, December 16, 2014. If, for any reason, the Offer Price is not agreed between the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and us by Tuesday, December 16, 2014, the Global Offering will not proceed and will lapse.
- (6) None of the website or any of the information contained on the website forms part of this prospectus.
- (7) Share certificates will only become valid at 8:00 a.m. on Friday, December 19, 2014 provided that the Global Offering has become unconditional and the right of termination described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for Termination” in this prospectus has not been exercised. Investors who trade Shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.
- (8) e-Refund payment instructions/refund cheques will be issued in respect of wholly or partially unsuccessful applications pursuant to the Hong Kong Public Offering and also in respect of wholly or partially successful applications in the event that the final Offer Price is less than the price payable per Offer Share on application. Part of the applicant’s Hong Kong identity card number or passport number, or, if the application is made by joint applicants, part of the Hong Kong identity card number or passport number of the first-named applicant, provided by the applicant(s) may be printed on the refund cheque, if any. Such data would also be transferred to a third party for refund purposes. Banks may require verification of an applicant’s Hong Kong identity card number or passport number before encashment of the refund cheque. Inaccurate completion of an applicant’s Hong Kong identity card number or passport number may invalidate or delay encashment of the refund cheque.
- (9) Applicants who have applied on **WHITE** Application Forms or **White Form eIPO** for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by the Application Form may collect any refund cheques and/or Share certificates in person from our Company’s Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Thursday, December 18, 2014 or such other date as notified by our Company in the newspapers as the date of dispatch/collection of Share certificates/e-Refund payment instructions/refund cheques. Applicants being individuals who is eligible for personal collection may not authorize any other person to collect on their behalf. Applicants being corporations which is eligible for personal collection must attend through their authorized representatives bearing letters of authorization from their corporation stamped with the corporation’s chop. Both individuals and authorized representatives of corporations must produce evidence of identity acceptable to our Hong Kong Share Registrar at the time of collection.

EXPECTED TIMETABLE

Applicants who have applied on **YELLOW** Application Forms for 1,000,000 or more Hong Kong Offer Shares may collect their refund cheques, if any, in person but may not elect to collect their Share certificates as such Share certificates will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit to their or the designated CCASS Participants' stock account as stated in their Application Forms. The procedures for collection of refund cheques for **YELLOW** Application Form applicants are the same as those for **WHITE** Application Form applicants.

Applicants who have applied for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC via CCASS should refer to the section headed "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies — Personal Collection — (iv) If you apply via Electronic Application Instructions to HKSCC" in this prospectus for details.

Applicants who have applied through the **White Form eIPO** service and paid their applications monies through single bank accounts may have refund monies (if any) dispatched to the bank account in the form of e-Refund payment instructions. Applicants who have applied through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions in the form of refund cheques by ordinary post at their own risk.

Applicants who have applied for less than 1,000,000 Hong Kong Offer Shares and any uncollected Share certificates and/or refund cheques will be dispatched by ordinary post, at the applicants' risk, to the addresses specified in the relevant applications.

Further information is set out in the sections headed "How to Apply for Hong Kong Offer Shares — 13. Refund of Application Monies" and "How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies" in this prospectus.

The above expected timetable is a summary only. You should refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" in this prospectus for details of the structure of the Global Offering, including the conditions of the Global Offering, and the procedures for application for the Hong Kong Offer Shares.

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IMPORTANT NOTICE TO INVESTORS

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

You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not made in this prospectus must not be relied on by you as having been authorized by us, the Joint Sponsors and the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of our or their respective directors or any other person or party involved in the Global Offering.

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SUMMARY

This summary aims to give you an overview of the information contained in this prospectus. As it is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by and should be read in conjunction with, the full text of this prospectus. You should read the whole document before you decide to invest in the Offer Shares.

There are risks associated with any investment. Some of the particular risks in investing in the Offer Shares are set forth in the section headed "Risk Factors" in this prospectus. You should read that section carefully before you decide to invest in the Offer Shares.

OVERVIEW

We have been a reputable online game company and became a leading mobile game developer and publisher in China in recent years. According to the Analysys Report, we are a leader in mobile game development business and we ranked fifth among all mobile game developers in China with a market share of 3.62% and 3.11%, respectively, in 2013 and the first seven months of 2014 in terms of gross billings from self-developed games; and we have emerged as a leader in mobile game publishing business since we started publishing third-party developed mobile game at the end of March 2014 and we ranked eighth among all mobile game publishers in China with a market share of 4.17% in terms of gross billings from third-party developed mobile games in April to July 2014.

We started developing online games in 2007 and shifted our business focus from client-based games to webgames in 2011 and to mobile games in late 2012. We have achieved significant success in mobile game business. We had commercialized three mobile games during the Track Record Period and all of them had achieved Peak Monthly Gross Billings of more than RMB30 million up to June 30, 2014. Revenue generated from our mobile games increased sharply from less than RMB0.1 million in 2012 to RMB249.2 million in 2013 and from RMB68.4 million for the six months ended June 30, 2013 to RMB313.9 million for the same period in 2014. Revenue from our mobile games accounted for less than 0.1% of our total revenue in 2012 but accounted for 86.6% of our revenue for the six months ended June 30, 2014.

Our revenue for 2012, 2013 and the six months ended June 30, 2013 and 2014 were approximately RMB265.6 million, RMB515.0 million, RMB236.8 million and RMB362.8 million, respectively. After taking into account share-based compensation expenses, listing-related expenses and the fair value change of the Preferred Shares, we incurred loss of approximately RMB123.0 million, RMB399.4 million, RMB92.8 million and RMB78.9 million for 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively.

We plan to continue to focus on mobile games in our business operations and expect most of our new games, including both self-developed and licensed games, will be mobile games going forward. As a result of our changed focus, we expect our revenue from mobile games will continue to increase and our future financial performance will depend on the success of our mobile game business. We expect we will continue to rely on major mobile game distribution channels for distribution of our mobile games and will endeavor to enhance our own distribution channel, 8864.com.

According to the Analysys Report, the overall online game market in China grew rapidly in recent years. The overall market size of the online game industry as measured by the combined revenues of all online game enterprises in China reached RMB86.0 billion in 2013 and is expected to further increase in the future. Mobile games are expected to be the driving force of the online game industry's continuing growth in the next three years as a result of rising penetration of smartphones and other mobile devices and high-speed mobile and Wi-Fi networks in China. According to the Analysys Report, the market size

SUMMARY

of mobile games in China reached RMB13.9 billion in 2013 and is expected to continue to grow at a CAGR of 45.4% through 2016.

Our Business Model

We develop online games and license games from third-party game developers under exclusive licenses. We publish our self-developed games and licensed games in China. We distribute our self-developed games and licensed games through our own distribution channel, 8864.com, as well as about two hundred third-party distribution channels. We collect payments from paying players of our games through various third-party payment channels. We pay service charges and fees to developers of our licensed games, third-party distribution channels and payment collection channels. We have traditionally licensed our games to third-party publishers for publishing in various overseas markets. In April 2014, we started publishing our games through our own subsidiary in South Korea. We expect to expand our game publishing business to additional overseas markets.

We focus on quality throughout our game development process and specialize in developing midcore and hardcore games that offer fascinating interactive experience, grand scenes, exquisite graphics, rich contents, diverse gameplays and therefore require strong game development capability. According to the Analysys Report, midcore and hardcore games generally have longer life-spans and higher gross billings than casual games. In addition, recent mobile devices with large, high-resolution touch-screens and faster CPU and GPU have allowed the presentation of exquisite graphics and videos and the creation of new control techniques that are particularly important to midcore and hardcore games. We believe our extensive experience in developing and publishing midcore and hardcore games have well positioned us to seize the enormous market opportunity for midcore and hardcore mobile games.

We have developed our expertise in identifying the most popular game genres and are highly selective with our licensed games. We only license third-party developed games that are of comparable quality to our self-developed games and with great potential for commercial success. We work closely with the developers of our licensed games and leverage our experience and market know-how to improve the flow and rhythms of the games as well as monetization strategies.

As we evolved our focus to mobile games, we have relied more on major mobile game distribution channels, such as Apple Inc.'s App Store, to distribute our games. Service charges by distribution channels have been the largest component of our cost of revenue and amounted to 63.3%, 70.8% and 70.8% of our cost of revenue in 2012, 2013 and the six months ended June 30, 2014, respectively. We plan to continuously enhance our own distribution platform and establish and strengthen cooperative relationships with more third-party distribution channels.

Our Games

As of the Latest Practicable Date, we had commercialized 17 online games, including ten self-developed games and seven licensed games. Among these games, five were mobile games, four were webgames, seven were client-based games and one had both client-based version and web version. All of our games, whether self-developed or licensed, are marketed under our "Linekong" brand and operated by us in China. Representatives of our games include *Excalibur*, *Sword of Heaven*, *Blade of God*, *Sword of Heroes*, *Three Kingdoms*, *Daybreak*, *The Journey to the West* and *Heaven Sword & Dragon Sabre*. Six of our games, including four client-based games and two webgames, had been phased out. For details about our games, please refer to the section headed "Business—Our Games" on page 173 in this prospectus.

SUMMARY

As of the Latest Practicable Date, our games primarily include RPGs, TBGs, ACT games and CCGs. We believe our self-developed games and licensed games together cover all major genres of midcore and hardcore games. For details about the genres of our games, please refer to the section headed “Business—Our Games”.

The following table sets forth breakdown of our revenue by (i) game forms, (ii) self-developed games and licensed games, and (iii) top three revenue-generating games and other games in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)			
Revenue by game forms								
Mobile games	99	0.0	249,158	48.4	68,413	28.9	313,898	86.6
Webgames	170,167	64.1	145,746	28.3	94,417	39.9	19,724	5.4
Client-based games	95,367	35.9	120,093	23.3	73,970	31.2	29,196	8.0
Total	<u>265,633</u>	<u>100.0</u>	<u>514,997</u>	<u>100.0</u>	<u>236,800</u>	<u>100.0</u>	<u>362,818</u>	<u>100.0</u>
Revenue by self-developed games and licensed games								
Self-developed games	233,623	87.9	421,607	81.9	180,047	76.0	263,117	72.5
Licensed games	32,010	12.1	93,390	18.1	56,753	24.0	99,701	27.5
Total	<u>265,633</u>	<u>100.0</u>	<u>514,997</u>	<u>100.0</u>	<u>236,800</u>	<u>100.0</u>	<u>362,818</u>	<u>100.0</u>
Revenue by top three revenue-generating games and other games								
Top three revenue-generating games	196,310	73.9	404,467	78.5	172,586	72.9	313,510	86.4
Other games	69,323	26.1	110,530	21.5	64,214	27.1	49,308	13.6
Total	<u>265,633</u>	<u>100.0</u>	<u>514,997</u>	<u>100.0</u>	<u>236,800</u>	<u>100.0</u>	<u>362,818</u>	<u>100.0</u>

SUMMARY

Our Players

Our games have attracted a large and rapidly growing player base. The registered players of our games increased from 98.9 million as of December 31, 2012 to over 170.5 million as of October 31, 2014. The table below sets forth a breakdown of the average DAUs and MAUs of our games by game form in the periods indicated.

	2012		2013		Ten Months Ended October 31, 2014	
	'000	%	'000	%	'000	%
Average DAUs:						
Client-based games	157.8	35.6	164.2	30.4	119.4	15.0
Webgames	284.8	64.3	162.7	30.1	37.6	4.7
Mobile games	0.5	0.1	212.8	39.5	636.7	80.3
Total	443.1	100.0	539.7	100.0	793.6	100.0
Average MAUs:						
Client-based games	585.6	16.1	635.2	18.5	381.6	7.6
Webgames	3,034.6	83.7	1,312.0	38.2	114.1	2.3
Mobile games	6.6	0.2	1,489.0	43.3	4,513.9	90.1
Total	3,626.8	100.0	3,436.2	100.0	5,009.6	100.0

The table below sets forth a breakdown of the average monthly paying players and average monthly ARPPU of our games by game form in the periods indicated.

	Year ended December 31,		Six Months Ended June 30,	
	2012	2013	2013	2014
Average monthly paying players				
Client-based games	21,436	25,184	28,997	10,968
Webgames	47,030	29,143	43,355	4,567
Mobile games	1,213	73,848	42,291	240,501
Total	69,679	128,175	114,643	256,036
Average monthly ARPPU (RMB)				
Client-based games	386.9	399.1	425.2	443.7
Webgames	312.2	423.5	363.0	719.8
Mobile games	6.9	281.9	269.6	217.5
All games	329.8	337.1	344.3	236.2

Our Revenue Recognition Policy

All of our games are free to play. We generate revenues primarily from selling virtual items that enhance game players' in-game experience, such as enhancing the powers, abilities, attractiveness and social interaction of their characters in games, or enabling them to advance in the games more conveniently. Our players purchase virtual credits with real money and then exchange virtual credits for various virtual items we offer in our games.

When we publish our games ourselves, we recognize revenue from sales of in-game virtual items on a "gross" basis based on the actual prices paid by the paying players for the virtual items, which are the

SUMMARY

selling prices of the virtual items less discounts offered to the paying players, because we have evaluated the respective roles and responsibilities of us, third-party game developers, third-party distribution channels and third-party payment collection vendors in the delivery of game experience to the paying players and concluded that we are acting as the principal in the arrangement, and therefore, our revenue from such arrangement should be reported on a “gross” basis. We have assessed various factors, including but not limited to the fact that we have the primary responsibility in the arrangement and we have substantial latitude in establishing the selling prices, in reaching the conclusion mentioned above and such assessment was conducted in accordance with the guidance provided by paragraph 21 “Determining whether an entity is acting as a principal or as an agent (2009 amendment)” of the Appendix to IAS 18 “Revenue Recognition.”

Based on relevant procedures we have performed, we did not identify any third-party distribution channel without its own virtual credits offering any discount. As to such third-party distribution channels with their own virtual credits, we noticed that they may conduct promotional activities occasionally (mainly during public holidays) in the form of offering volume discounts on their virtual credits. As such distribution channels’ virtual credits may be used to exchange for our virtual credits, discounts on such distribution channels’ virtual credits could have an impact on the real money ultimately paid by the players for our in-game virtual items. We have to perform various procedures to estimate the amount of discounts occasionally offered by some third-party distribution channels because we noticed that some third-party distribution channels offered volume discounts on their own virtual credits to our paying players without notifying us and our system does not capture the discounts offered for such distribution channels’ own virtual credits that may be converted into our virtual credits. The procedures we adopted include our own online searches, inquiries with third-party distribution channels’ customer service personnel on no-name basis, inquiries with personnel in charge of our account and written confirmations from third-party distribution channels. We recognized revenue generated through third-party distribution channels of RMB129.9 million, RMB329.0 million, RMB142.9 million and RMB271.7 million in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, which excluded the estimated discount of RMB5.4 million, RMB6.9 million, RMB4.2 million and RMB7.0 million, respectively. Service charges by distribution channels for the corresponding period amounted to RMB84.2 million, RMB173.0 million, RMB78.6 million and RMB124.9 million, respectively. In conformity with IFRS, such service charges by distribution channels are recorded as cost of revenue.

For illustrative purpose only, we present in the table below what our revenue would be if it were to be recognized on a “net” basis, i.e. if service charges by distribution channels were to be deducted from our revenue. You should note that such presentation is not in conformity with IFRS.

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	(RMB in million)			
Revenue	265.6	515.0	236.8	362.8
Service charges by distribution channels	84.2	173.0	78.6	124.9
Revenue less service charges by distribution channels	181.4	342.0	158.2	237.9

We also estimate the amount of discounts offered by our pre-paid game card distributors to be the maximum discount that we offered to such distributors as we are not able to capture the actual discounts offered by such distributors. All estimated discounts are recorded as a reduction of our revenue. We recognize revenue only when services represented by the virtual items are provided to the respective paying players.

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Revenues in relation to consumable items, which represent in-game items that can be consumed by a specific player action or expire over a predetermined expiration time, are recognized (as a release from deferred revenue) over the period that they are expiring or after they are consumed. Revenues in relation to the permanent ownership items, which represent in-game items that are accessible by the paying players as long as they play the game, are recognized over their estimated lives (“Player Relationship Period”). We estimate the Player Relationship Period on a game-by-game basis and re-assess such periods quarterly or semi-annually. We consider the game profile and target audience when estimating the Player Relationship Period of a game and all historical paying players’ log-on data of that game is analyzed. A paying player’s Player Relationship Period is the period between the first time the player charges virtual credits into his/her account and the assessment date plus the future period the player will remain active in the game, which is estimated by the Group by analyzing historical operation data as well as paying players’ behavior in the game and by making reference to the common practice in the industry. A game’s Player Relationship Period is calculated by averaging the Player Relationship Period of all paying players for that specific game.

When we license our games to third-party licensees in overseas markets, we do not assume the primary responsibilities in rendering services to paying players and generate revenue from licensing fee and technical service fee paid by such licensees of our games.

For detailed information on the accounting policy for our revenue recognition, the estimates involved in recognizing our revenue, including the estimates of the actual price paid by the paying players, and the procedures we have performed in arriving at such estimates, please see the section headed “Financial Information — Critical Accounting Policies — Revenue Recognition” on page 249 in this prospectus.

GAPP Approval

Pursuant to the GAPP Online Game Notice, we are required to complete the publishing and filing procedure with GAPP and obtain GAPP approvals for online games operated by us before they are commercialized. In our history, five of our games, namely *Unparalleled Devil*, *Bubble Ninja*, *Excalibur*, *Sword of Heaven* and *Blade of God*, were commercialized before we completed the publishing and filing procedures with GAPP and obtained GAPP approvals for such games. As of the Latest Practicable Date, our application for *Blade of God* is still pending and we have obtained or are deemed to have obtained GAPP approvals for the other four games named above. For additional information, please refer to the section headed “Business — Legal Compliance and Proceeding.” According to the GAPP Online Game Notice, if a game publisher fails to obtain GAPP approval for an online game before its commercialization, GAPP will notify the relevant local press and publication bureau to order the game to cease operation and carry out investigations and impose penalties on the game publisher. *Blade of God* did not make any contribution to our revenue in 2012 or 2013 but contributed 21.2% of our revenue in the six months ended June 30, 2014 and is expected to continue to contribute a significant portion of our revenue in the near future. Our PRC Legal Advisor is of the view that it is highly remote that GAPP will order us to cease operation of *Blade of God* due to our failure to obtain GAPP approval before its commercialization. However, if GAPP chooses to do so for any reason, it may materially and adversely affect our revenue. If we were ordered to cease operation of *Blade of God*, we will redirect our resources for *Blade of God* to the games that are newly commercialized at the time of cessation and strengthen our marketing efforts in promoting such new games.

We have two mobile games, *Go! Generals!* and *Sword of Heroes*, that were commercialized after the Track Record Period. It is anticipated that *Crazy Myth*, *The Monkey King*, *The Legend of Zhen Huan*,

SUMMARY

I Am Playboy, console version of *Sword of Heroes*, *One Hundred Thousand Bad Jokes*, *DT All Star*, *Warrior Crash*, *Sharpshooter* and at least another three licensed games will be commercialized before the end of June 2015 subject to market conditions. Among these games, we expect *The Legend of Zhen Huan*, *I Am Playboy* and *One Hundred Thousand Bad Jokes* to be particularly popular and become our strong revenue contributors based on internal testing and evaluation we have completed so far. *The Legend of Zhen Huan* and *One Hundred Thousand Bad Jokes* will be adapted from a novel previously adapted into a very popular TV serial in China and a popular Chinese comics series, respectively, which are expected to ensure the games' popularity among game players. We, either alone or together with the relevant game developer, hold the exclusive right to adapt these two popular entertainment franchises into online games or mobile games, which helps us prevent third parties from publishing games of similar themes. We also expect to extend the commercial life-spans of our existing successful games, such as *Sword of Heaven*, by enhancing, expanding and upgrading them to include new features that appeal to existing players and attract new players. As a result of the above, we are confident to maintain the continuing growth of our overall business even in the highly remote event that GAPP orders us to cease operation of *Blade of God*.

Our Financial Highlights

Our revenue increased rapidly during the Track Record Period. Our revenue increased by 93.9% from RMB265.6 million in 2012 to RMB515.0 million in 2013, and increased by 53.2% from RMB236.8 million for the six months ended June 30, 2013 to RMB362.8 million for the same period in 2014. We incurred loss of RMB123.0 million and RMB399.4 million in 2012 and 2013, respectively, and RMB92.8 million and RMB78.9 million in the six months ended June 30, 2013 and 2014, respectively. We had non-IFRS adjusted profit of RMB20.9 million and RMB84.3 million in 2012 and 2013, respectively, and RMB40.7 million and RMB92.4 million in the six months ended June 30, 2013 and 2014, respectively. Our non-IFRS adjusted EBITDA was RMB31.5 million and RMB108.5 million in 2012 and 2013, respectively, and RMB56.4 million and RMB100.7 million in the six months ended June 30, 2013 and 2014, respectively. For reconciliation of the non-IFRS measures to IFRS loss for the year/period, please see "Financial Information — Non-IFRS Measures" on page 273 in this prospectus.

COMPETITIVE STRENGTHS

We attribute our past success to the following competitive strengths:

- The high quality of our games;
- A proven track record of developing and publishing successful mobile games;
- Extensive experience in developing midcore and hardcore games that generally have longer life-spans and higher gross billings than casual games but require stronger game development capability;
- A dedicated game technology center;
- A comprehensive game publishing system, including our own distribution platform (8864.com), our self-developed OKSDK, established relationships with about two hundred third-party distribution channels, and a unified operating system that provides strong support to our game optimization, operation, marketing and promotion; and
- An experienced and visionary management team.

SUMMARY

STRATEGIES

Our goal is to consolidate our leading position in mobile game industry in China, actively expand into overseas markets and make ourselves a respected leader in the online game industry. We intend to achieve our goal by pursuing the following strategies:

- Develop more high-quality games to bring innovative and joyful game experience to our players and enhance the value of our brand;
- Increase our market share by publishing more high-quality licensed games;
- Enhance our own platform, 8864.com, and make it a high-quality content-rich game platform popular among players and game developers;
- Invest in game technology enhancement to raise the bar for competition; and
- Bring high-quality games developed by us and numerous other Chinese developers to players all over the world.

OUR SHAREHOLDING STRUCTURE

The Controlling Shareholders

Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu (being original founders of our Company and Linekong Entertainment (our PRC operating entity and our VIE)) are (and have been) acting in concert when exercising their shareholders rights in our Company and Linekong Entertainment since the respective date of incorporation of our Company and Linekong Entertainment. Each of Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu, through their respective wholly-owned company, namely Wangfeng Management Limited, Liaomingxiang Holdings Limited and Brisk Century Limited, are collectively entitled to exercise voting rights of approximately 30.13% of the total issued share capital of our Company as of the date of this prospectus and approximately 24.10% of the total issued share capital of our Company immediately following the completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). Accordingly, they are and will continue to remain the dominating group of shareholders which collectively hold a controlling interest in our Company. In addition, these three original founders collectively hold the entire equity interest in Linekong Entertainment.

Pre-IPO Investments

We raised four rounds of equity financing, in the forms of Series A, Series B, Series C and Series D Preferred Shares, including (i) US\$2,000,000 for the subscription of a total of 1,777,778 Series A Preferred Shares before the Share Subdivision by IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. in April 2008 pursuant to agreement reached in April 2007, (ii) US\$16,000,000 for the subscription of a total of 1,061,360 Series B Preferred Shares before the Share Subdivision by Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership, in May 2008, (iii) US\$30,000,000 for the subscription of a total of 622,637 Series C Preferred Shares before the Share Subdivision by Starwish Global Limited, Profitable Century International Limited, Orchid Asia V, L.P., Orchid Asia V Co-Investment, Limited, SAIF IV Hong Kong (China Investments) Limited, Famous Sino Limited and Eager Info Investments Limited, in January 2014, together with the sale of existing shares by the then shareholders of our Company to the Series C Investors at a total consideration of US\$50,000,000 and (iv) US\$20,000,000 for the subscription of a total of 14,793,523 Series D Preferred Shares after the Share

SUMMARY

Subdivision by Baidu Holdings Limited in May 2014. The proceeds for the Series A and Series B investments had been used and proceeds for the Series C and Series D investments will be used for the development of our games and expansion of our business. The Preferred Shares will be automatically converted into our Shares upon the Listing. Immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), the Series A Investors, the Series B Investors, the Series C Investors and the Series D Investors will hold approximately 4.05%, 3.81%, 22.63% and 4.00% of the total issued share capital of our Company, respectively. Pursuant to the shareholders agreement entered into with the Pre-IPO Investors, the Pre-IPO Investors will have a number of special rights in our Company, all of which will terminate upon the Listing. For details of the Pre-IPO investment, see “History, Reorganization and Corporate Structure — Pre-IPO Investments” starting from page 128 in this prospectus.

Share Incentive Schemes

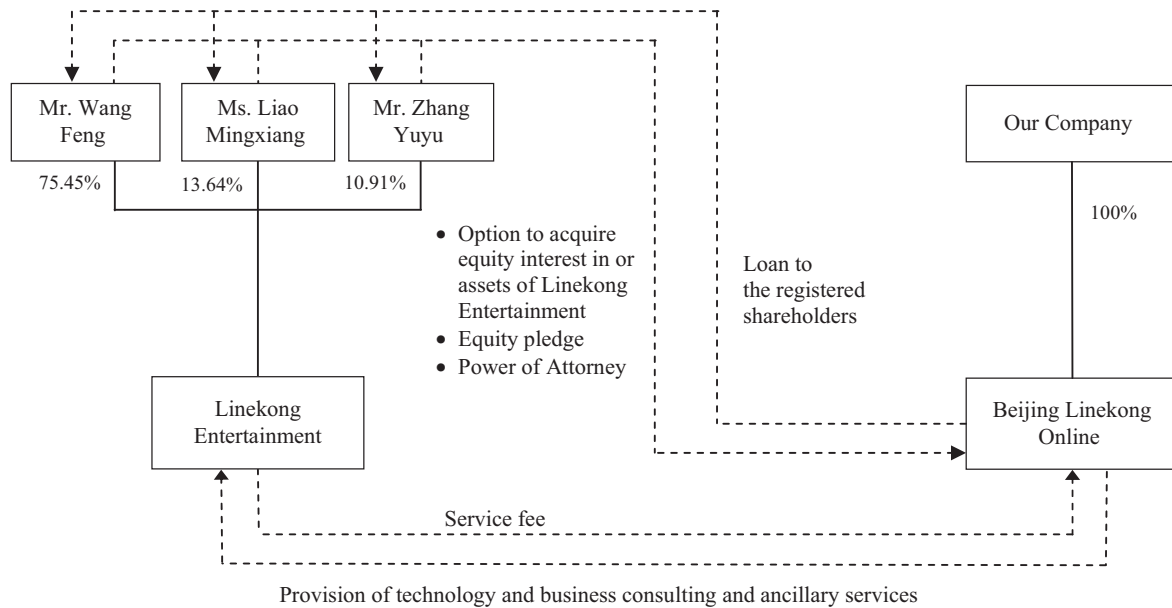
We have adopted an RSU Scheme in order to incentivize our Directors, senior management, consultants, advisors and employees. As of the date of this prospectus, 31,276,072 RSUs were granted and outstanding pursuant to the RSU Scheme, representing approximately 8.46% of the enlarged issued share capital of the Company immediately following completion of the Global Offering. On March 21, 2014, 42,161,541 Shares underlying the RSUs granted and to be granted under the RSU Scheme were issued and allotted to the RSU Nominee, which holds the Shares underlying the RSUs for the benefit of eligible participants pursuant to the RSU Scheme. In addition to the RSU Scheme, we conditionally adopted a Share Option Scheme. The principal terms of the RSU Scheme and the Share Option Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” on page IV-20 in Appendix IV to this prospectus.

CONTRACTUAL ARRANGEMENTS

We are primarily engaged in the development and operation of online and mobile games and are considered to be engaged in the provision of value-added telecommunications services. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online game business and are restricted to conduct value-added telecommunications services, please refer to the section headed “Regulatory Overview — Regulation Relating to Telecommunications Services and Foreign Investment Restrictions” on page 97 in this prospectus. Due to these restrictions, we conduct our online game business and operations in China through the Contractual Arrangements with our PRC operating entity (our VIE), Linekong Entertainment, and its registered shareholders.

SUMMARY

The following simplified diagram illustrates the flow of economic benefits from Linekong Entertainment to our Company stipulated under the Contractual Arrangements:



For details of the Contractual Arrangements and the terms of the underlying agreements, please refer to the section headed “Contractual Arrangements” starting from page 141 in this prospectus.

Our PRC Legal Advisor is of the opinion that (i) except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and (ii) the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration, which may not be recognized or enforced by PRC courts, the agreements underlying the Contractual Arrangements, taken individually and collectively, are valid and legally binding on each party to each of the agreements in accordance with their terms and provisions under relevant PRC laws and regulations and each of the agreements underlying the Contractual Arrangements entered into by the Group does not fall within any of the circumstances under Article 52 of the PRC Contract Law pursuant to which the agreements would be determined to be invalid. In particular they will not be deemed as “concealing an illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor as stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements.

Please refer to the section headed “Risk Factors — Risks Relating to Our Corporate Structure” starting from page 48 in this prospectus for a discussion of the risks relating to our corporate structure and the Contractual Arrangements.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following is a summary of our consolidated financial information as of and for the years ended December 31, 2012 and 2013 and as of and for the six months ended June 30, 2013 and 2014. We have derived the summary from our consolidated financial information set forth in the Accountant’s Report in Appendix I to this prospectus. The below summary should be read together with the consolidated financial information in Appendix I to this prospectus, including the accompanying notes and the information set forth in “Financial Information” in this prospectus. Our consolidated financial information was prepared in accordance with IFRS.

SUMMARY

Summary Consolidated Statements of Comprehensive Loss

The table below sets forth selected consolidated statements of comprehensive loss data for the periods indicated:

	Year ended December 31,		Six Months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Revenue	265,633	514,997	236,800	362,818
Cost of revenue	(133,055)	(244,390)	(115,113)	(176,330)
Gross profit	132,578	270,607	121,687	186,488
Operating profit	10,240	63,138	52,513	41,437
Loss before income tax	(122,213)	(381,929)	(80,675)	(73,996)
Loss for the year/period	(123,024)	(399,420)	(92,810)	(78,879)
Non-IFRS Measures:				
Adjusted profit (unaudited) ⁽¹⁾	20,880	84,333	40,658	92,385
Adjusted EBITDA (unaudited) ⁽¹⁾	31,491	108,538	56,446	100,703

(1) The following table reconciles adjusted profit and adjusted EBITDA for the periods presented to IFRS loss for the year/period:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Loss for the year/period	(123,024)	(399,420)	(92,810)	(78,879)
Add:				
Share-based compensation expenses	10,516	36,908	-	43,554
Fair value change of preferred shares	133,388	446,208	133,468	116,817
Listing-related expenses	-	637	-	10,893
Adjusted profit (unaudited)	<u>20,880</u>	<u>84,333</u>	<u>40,658</u>	<u>92,385</u>
Add:				
Depreciation and amortization	10,662	7,855	3,933	4,819
Finance income - net	(862)	(1,141)	(280)	(1,384)
Income tax	811	17,491	12,135	4,883
Adjusted EBITDA(unaudited)	<u>31,491</u>	<u>108,538</u>	<u>56,446</u>	<u>100,703</u>

For additional information on these non-IFRS measures, please refer to the section headed “Financial Information — Non-IFRS Measures” on page 273 in this prospectus.

SUMMARY

Summary Consolidated Balance Sheets

The table below sets forth selected consolidated balance sheet data as of the dates indicated:

	As of December 31,		As of
	2012	2013	June 30, 2014
	RMB'000	RMB'000	RMB'000
Non-current assets	27,705	20,009	29,377
Current assets	93,148	226,851	652,148
Total assets	<u>120,853</u>	<u>246,860</u>	<u>681,525</u>
Non-current liabilities	307,389	739,259	1,166,929
Convertible preferred shares	288,975	719,831	1,151,072
Current liabilities	143,581	188,921	238,116
Total liabilities	<u>450,970</u>	<u>928,180</u>	<u>1,405,045</u>
Total deficit and liabilities ⁽¹⁾	<u>120,853</u>	<u>246,860</u>	<u>681,525</u>

- (1) Upon completion of the Listing, all Preferred Shares will be automatically converted into Shares. Upon conversion of the Preferred Shares into Shares, the liabilities for the Preferred Shares will be derecognized, and the fair value of the Shares issued for the conversion of the Preferred Shares, which is equal to the carrying amount of the Preferred Shares immediately before the conversion, will be accounted for as an increase in share capital and reserves. Accordingly, we will not have total deficits or negative reserves immediately after the Global Offering.

Key Financial Ratios

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,		As of or for the
	2012	2013	six months ended June 30, 2014
Gross margin ⁽¹⁾	49.9%	52.5%	51.4%
Current ratio (times) ⁽²⁾	0.65	1.20	2.74
Quick ratio (times) ⁽³⁾	0.65	1.20	2.74
Adjusted profit margin (unaudited) ⁽⁴⁾	7.9%	16.4%	25.5%
Adjusted EBITDA margin (unaudited) ⁽⁵⁾	11.9%	21.1%	27.8%

- (1) Gross margin is calculated by dividing gross profit by revenue for the year/period.
(2) Current assets as of a particular date divided by current liabilities as of the same date.
(3) Current assets less inventories as of a particular date and divided by current liabilities as of the same date.
(4) Adjusted profit for a particular period divided by revenue for the same period. For additional information on non-IFRS measures, please refer to the section headed "Financial Information — Non-IFRS Measures."
(5) Adjusted EBITDA for a particular period divided by revenue for the same period. For additional information on non-IFRS measures, please refer to the section headed "Financial Information — Non-IFRS Measures."

SUMMARY

GLOBAL OFFERING STATISTICS

Offer size:	Initially 110,952,000 Shares, representing approximately 30% of the enlarged issued share capital of the Company
Offering structure:	11,096,000 Shares, representing approximately 10% for Hong Kong Public Offering (subject to reallocation) and 99,856,000 Shares, representing approximately 90% for International Offering (comprising 62,872,000 New Shares and 36,984,000 Sale Shares, subject to reallocation and the Over-allotment Option)
Over-allotment Option:	Up to 16,642,500 Shares, representing approximately 15% of the number of Offer Shares initially available under the Global Offering
Offer Price Per Share:	HK\$9.80 to HK\$13.10 per Offer Share

	Based on an Offer Price of HK\$9.80 per Share	Based on an Offer Price of HK\$13.10 per Share
Market capitalization of our Shares ⁽²⁾	HK\$3,624.4 million	HK\$4,844.9 million
Unaudited pro forma adjusted consolidated net tangible asset value per Share ⁽³⁾	HK\$3.16	HK\$3.78

Notes:

- (1) All statistics in this table are not taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (2) The calculation of market capitalization is based on 73,968,000 New Shares expected to be issued under the Global Offering, and assuming that 369,838,464 Shares are issued and outstanding immediately following the completion of the Global Offering.
- (3) The unaudited pro forma adjusted consolidated net tangible asset per Share is calculated after making the adjustments referred to in Appendix II “Unaudited Pro Forma Financial Information”.

SUMMARY

USE OF PROCEEDS

We estimate that the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$9.80 per Offer Share (being the low end of the Offer Price range stated in this prospectus), will be approximately HK\$627.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering. We intend to use the net proceeds of the Global Offering for the following purposes:

<u>Amount (HK\$ in million)</u>	<u>Approximate % of total estimated net proceeds</u>	<u>Intended use</u>
156.9	25%	developing and operating existing and new self-developed games and purchasing intellectual properties for popular entertainment franchises
156.9	25%	licensing more high-quality games with different genres and themes from Chinese and overseas game developers and the operation of such games
94.1	15%	potential strategic acquisitions
62.7	10%	further enhancement and promotion of our own distribution platform, 8864.com
62.7	10%	investing in our technology platform
62.7	10%	overseas expansion including enhancing our publishing business in South Korea and expanding into other countries and regions
31.5	not more than 5%	working capital and other general corporate purposes

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares (after deduction of underwriting commissions payable by the Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK\$11.45 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is not exercised) are approximately HK\$404.4 million.

We estimate that the net proceeds to be received by the Selling Shareholders and the Over-allotment Option Grantors from the sale of the Sale Shares and Shares to be sold pursuant to the Over-allotment Option (after deduction of underwriting commissions payable by the Selling Shareholders and the Over-allotment Option Grantors in relation to the Global Offering, and assuming an Offer Price of HK\$11.45 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is fully exercised) are approximately HK\$586.4 million. We will not receive any of the proceeds from the Sale Shares or Shares to be sold pursuant to the Over-allotment Option.

Please see the section headed “Statement of Business Objectives and Use of Proceeds” starting from page 294 in this prospectus for further details.

DIVIDEND POLICY

Our Board has absolute discretion to declare any dividend and, if it decides to declare a dividend, determine the amount of the dividend. The declaration of final dividend for any year is subject to our Shareholders’ approval. Future dividend payments will depend on payments made from Linekong Entertainment to Beijing Linekong Online, our wholly-owned PRC subsidiary, pursuant to the Contractual Arrangements, and the distribution of such payments to our Company. Distribution from

SUMMARY

Beijing Linekong Online to our Company may be subject to PRC taxes, statutory reserve requirements and other legal restrictions. The payment and the amount of any future dividends by us will also depend on factors such as our results of operations, cash flow, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board deems relevant and will be subject to our Articles and the Companies Law.

Our Company has not declared or paid any dividend in the history. Certain subsidiaries of Linekong Entertainment declared and paid dividends of approximately RMB8.9 million and RMB21.0 million to their then shareholders in 2012 and 2013, respectively, of which RMB1.8 million and RMB4.2 million was paid to non-controlling shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. Furthermore, you should note that as at June 30, 2014, our Company and our Group (on a consolidated basis) had accumulated loss of RMB748.1 million and RMB847.1 million, respectively, and that for the year ending December 31, 2014, we expect to recognize fair value loss of preferred shares in the range of RMB157.2 million to RMB558.0 million based on the Offer Price range of HK\$9.80 to HK\$13.10 per Offer Share. Accordingly, despite the fact that under Cayman Companies Law, dividends may be declared or paid out of profits and reserves of the Company lawfully available for distribution, including share premium, we may not be able to and we currently have no plan to declare or pay any dividends in the near future and intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate and other factors that our Board deems relevant.

LISTING EXPENSES

As of June 30, 2014, we had incurred expenses in connection with the Global Offering of RMB15.2 million, out of which RMB11.5 million were charged to the consolidated statements of comprehensive income and RMB3.7 million was recorded as prepayment and will be deducted from the Group's equity upon the Global Offering. We currently expect to incur further expenses amounting to approximately RMB66.3 million, including the underwriting commission in relation to the New Shares, estimated based on an assumed Offer Price of HK\$11.45 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus, until the completion of the Global Offering, out of which approximately RMB30.4 million will be charged to the consolidated statements of comprehensive income for the year ending December 31, 2014 and approximately RMB35.9 million will be deducted from the Group's equity upon the Global Offering. The Selling Shareholders shall bear, and be responsible for the payment of, all underwriting commission, incentive fee (if any), the SFC transaction levy and the Stock Exchange trading fee payable by the Selling Shareholders arising from the sale of the Sale Shares. In addition, the Over-allotment Option Grantors shall bear, and be responsible for the payment of, all underwriting commission, incentive fee (if any), the SFC transaction levy and the Stock Exchange trading fee payable by the Over-allotment Option Grantors arising from the sale of the Shares to be sold pursuant the exercise, if any, of the Over-allotment Option. Other listing expenses primarily represent the professional fees incurred as a result of services provided to our Group and therefore, it is determined that the Selling Shareholders and the Over-allotment Option Grantors shall not bear these other listing expenses. We do not expect expenses to be incurred in connection with the Global Offering after the Track Record Period to have a material and adverse impact on our financial results for the year ending December 31, 2014.

RECENT DEVELOPMENT

Upon completion of the Listing, all of the Preferred Shares will be automatically converted into the Shares and we expect to recognize fair value loss of preferred shares in the range of RMB157.2 million to RMB558.0 million in 2014 based on the Offer Price range of HK\$9.80 to HK\$13.10 per Offer Share. We expect to recognize no fair value loss of preferred shares in 2015.

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In addition, we expect to record a significant amount of share-based compensation expenses in 2014 and future periods as a result of the RSUs we granted and may grant under the RSU Scheme. Our share-based compensation expenses are calculated with reference to a number of factors and assumptions including the fair value of the share-based awards and the expected retention rate of grantees, and such expenses are recognized ratably over the vesting period for each separate vesting tranche of the share-based awards. Based on the fair value of RMB203.9 million we assessed for the RSUs granted on March 21, 2014, an expected retention rate of our ordinary employees of 95% and an expected retention rate of our Directors and senior management of 100% we assessed as of June 30, 2014, and 101 days that had elapsed from the date of grant of such RSUs to June 30, 2014 for these RSUs, we recognized share-based compensation expenses of RMB43.6 million for the six months ended June 30, 2014. For illustrative purpose only, assuming (i) we would not grant any additional RSUs or options under the Share Option Scheme after the completion of the Global Offering, (ii) the expected retention rate of our ordinary employees would remain at 95% and the expected retention rate of our Directors and senior management would remain at 100% on December 31, 2014, (iii) the Listing Date, which determines the vesting date of some of the RSUs, would be December 19, 2014 as we currently expect, and (iv) there would not be any change to the terms of the RSUs we already granted, we would recognize share-based compensation expenses of RMB119.8 million for 2014. If any of the above assumptions is changed, the amount of our share-based compensation expenses may differ significantly from the number illustrated above. In particular, if we grant any additional RSUs, or grant other share-based awards under the Share Option Scheme after the completion of the Global Offering, our share-based compensation expenses for 2014 and future periods are expected to increase.

As a result of the fair value loss of preferred shares and the increasing amount of share-based compensation expenses we expect to recognize in 2014, we may record a significant loss for the full year of 2014.

Based on our unaudited management accounts, as of October 31, 2014, we had total current assets of RMB677.0 million and total current liabilities of RMB231.2 million. See “Financial Information — Liquidity and Capital Resources” on page 279 in this prospectus for further details of our current assets and current liabilities. There was no material adverse change in our revenue, gross profit or operating profit for the nine months ended September 30, 2014 comparing to those for the nine months ended September 30, 2013.

Our Directors confirm that, up to the date of this prospectus and save as disclosed above, there has been no material adverse change in our finance and trading position or prospects since June 30, 2014, and there is no event since June 30, 2014 which would materially affect the information shown in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus.

RISK FACTORS

There are certain risks involved in our operations and in connection with the Global Offering, many of which are beyond our control. These risks include,

- risks relating to our business, including without limitation, uncertainties in our ability to continue our rapid growth, improve and upgrade our existing self-developed games and develop new popular games, continue to publish more highly successful new games, extend licenses for our existing games and license new high-quality games, attract more paying players and increase ARPPU, maintain and strengthen our cooperation with game developers, distribution channels, payment channels and overseas publishers;

SUMMARY

- risks relating to our corporate structure, in particular, the Contractual Arrangements may not be as effective in providing operational control and there are uncertainties in the interpretation of PRC laws and regulations relating to the Contractual Arrangements;
- risks relating to our industry, in particular, challenges presented by the extensive regulation of various aspects of online game business in the PRC; and
- risks relating to conducting business in the PRC and the Global Offering.

A detailed discussion of all the risk factors involved are set forth in the section headed “Risk Factors” starting from page 34 in this prospectus and you should read the whole section carefully before you decide to invest in the Offer Shares.

DEFINITIONS

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

“Analysys Report”	a report commissioned by us and independently prepared by Analysys International, our industry consultant
“Application Form(s)”	WHITE application form(s), YELLOW application form(s) and GREEN applications form(s) or, where the context so requires, any of them
“Articles” or “Articles of Association”	the articles of association of the Company adopted on November 20, 2014, which will become effective upon the Listing Date, as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Audit Committee”	the audit committee of the Board
“Beijing Press and Publication Bureau”	Beijing Municipal Bureau of Press, Publication, Radio, Film and Television (北京市新聞出版廣電局)
“Beijing Huanteng”	Beijing Huanteng Dongli Culture Media Co., Ltd. (北京歡騰動力文化傳播有限公司), a company established under the laws of the PRC on November 18, 2004
“Beijing Lanhujing”	Beijing Lanhujing Technology Co., Ltd. (北京藍虎鯨科技有限公司), a company established under the law of the PRC on May 29, 2014 and a direct wholly-owned subsidiary of Linekong Entertainment
“Beijing Lingxing”	Beijing Lingxing Zhiye Co., Ltd. (北京靈星置業有限公司), a company established under the laws of the PRC, which used to be a shareholder of Linekong Entertainment and now is an Independent Third Party
“Beijing Linekong Online”	Linekong Online (Beijing) Internet Technology Co., Ltd. (藍港在線(北京)網絡科技有限公司), a company established under the laws of the PRC on April 14, 2008 and a direct wholly-owned subsidiary of our Company
“Beijing Sanqiren”	Beijing Sanqiren Technology Co., Ltd. (北京三棲人科技有限公司), a company established under the laws of the PRC on December 7, 2007 and a direct wholly-owned subsidiary of Linekong Entertainment as of the date of this Prospectus
“Board” or “Board of Directors”	our board of Directors
“BVI”	the British Virgin Islands

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“Business Day” or “business day”	a day on which banks in Hong Kong are generally open for normal banking business to the public and which is not a Saturday, Sunday or public holiday in Hong Kong
“CAGR”	compound annual growth rate
“Cayman Companies Law” or “Companies Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended or supplemented or otherwise modified from time to time
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual, joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus and for geographical reference only and except where the context requires, references in this prospectus to “China” and the “PRC” do not include Hong Kong, Macau and Taiwan
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules;
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended or supplemented or otherwise modified from time to time
“Company”, “our Company”, “we” or “us”	Linekong Interactive Co., Ltd. (藍港互動有限公司), an exempted company incorporated in the Cayman Islands with limited liability on May 24, 2007 and formerly known as Linekong International Co., Ltd.
“connected person”	has the meaning ascribed thereto in the GEM Listing Rules
“Contractual Arrangements”	the Amended and Restated Exclusive Technology Consulting and Service Agreement, the Amended and Restated Exclusive

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	Call Option Agreement, the Loan Agreement, the Amended and Restated Equity Pledge Agreement and the relevant Powers of Attorney as more particularly described in the section headed “Contractual Arrangements” in this prospectus
“Controlling Shareholders”	has the meaning ascribed thereto in the GEM Listing Rules and, unless the context otherwise requires, refers to, collectively, Wangfeng Management Limited, Mr. Wang Feng, Liaomingxiang Holdings Limited, Ms. Liao Mingxiang, Brisk Century Limited and Mr. Zhang Yuyu
“Cornerstone Investors”	the cornerstone investors as described in the section headed “Cornerstone Investors” in this prospectus
“CSRC”	the China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our Company
“Duobianxing”	Duobianxing (Beijing) Technology Co., Ltd. (多邊形(北京) 科技有限公司), a company established under the laws of the PRC on March 30, 2007 and a direct wholly-owned subsidiary of Linekong Entertainment
“EIT”	the PRC enterprise income tax
“EIT Law”	the PRC Enterprise Income Tax Law
“EIT Regulations”	the Regulation on the Implementation of the EIT Law
“Founders”	Mr. Wang Feng (王峰), Ms. Liao Mingxiang (廖明香) and Mr. Zhang Yuyu (張玉宇)
“GAPP”	the State Administration of Press, Publication, Radio, Film and Television of the People’s Republic of China (中國國家新聞出版廣電總局)
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited
“GIAC”	China Game Industry Annual Conference (中國遊戲產業年會)
“Global Offering”	the Hong Kong Public Offering and the International Offering
“GREEN application form(s)”	the application form(s) to be completed by the White Form eIPO Service Provider designated by the Company, Computershare Hong Kong Investor Services Limited

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“Group” or “our Group”	our Company and our subsidiaries (which include our PRC operating entity, Linekong Entertainment, and its subsidiaries, the financial results of which have been consolidated and accounted for as our subsidiaries by virtue of the Contractual Arrangements) or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries (which include Linekong Entertainment and its subsidiaries), the business operated by such subsidiaries or their predecessors (as the case may be)
“GTAC”	China Game Trade Annual Conference (中國遊戲行業年會)
“HK\$” or “Hong Kong dollars” or “HK dollars” or “cents”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Offer Shares”	the 11,096,000 New Shares initially offered by our Company for subscription pursuant to the Hong Kong Public Offering (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“Hong Kong Public Offering”	the offer of the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on the terms and conditions described in this prospectus and the Application Forms
“Hong Kong Share Registrar”	Computershare Hong Kong Investor Services Limited
“Hong Kong Underwriters”	the underwriters of the Hong Kong Public Offering listed in the section headed “Underwriting — Hong Kong Underwriters” in this prospectus
“Hong Kong Underwriting Agreement”	the underwriting agreement dated December 8, 2014 relating to the Hong Kong Public Offering and entered into among our Company, the Controlling Shareholders, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters as further described in the section headed “Underwriting — Underwriting Arrangements and Expenses” in this prospectus
“IFRS”	International Financial Reporting Standards
“independent third party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors’ knowledge,

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	information and belief, having made all reasonable enquiries, is/are not connected with our Company or our connected persons as defined under the GEM Listing Rules
“International Offer Shares”	the 62,872,000 New Shares and 36,984,000 Sale Shares being initially offered in the International Offering together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantors pursuant to the exercise of the Over-allotment Option (subject to reallocation as described in the section headed “Structure of the Global Offering” in this prospectus)
“International Offering”	the offer of the International Offer Shares by the International Underwriters at the Offer Price outside the United States in offshore transactions in accordance with Regulation S and in the United States to QIBs only in reliance on Rule 144A or any other available exemption from registration under the U.S. Securities Act, as further described in the section headed “Structure of the Global Offering” in this prospectus
“International Underwriters”	the group of international underwriters, led by the Joint Global Coordinators, that is expected to enter into the International Underwriting Agreement to underwrite the International Offering
“International Underwriting Agreement”	the underwriting agreement expected to be entered into on or around December 12, 2014 by, among others, our Company, the Controlling Shareholders, the Selling Shareholders, the Over-allotment Option Grantors, the Joint Global Coordinators and the International Underwriters in respect of the International Offering, as further described in the section headed “Underwriting — The International Offering” in this prospectus
“Joint Bookrunners” or “Joint Lead Managers”	Citigroup Global Markets Asia Limited (in relation to the Hong Kong Public Offering) and Citigroup Global Markets Limited (in relation to the International Offering), Macquarie Capital Securities Limited and CCB International Capital Limited
“Joint Global Coordinators”	Citigroup Global Markets Asia Limited, Macquarie Capital Securities Limited and CCB International Capital Limited
“Joint Sponsors” or “Joint Global Coordinators”	Citigroup Global Markets Asia Limited and Macquarie Capital Securities Limited
“Latest Practicable Date”	December 1, 2014, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained in this prospectus
“Linekong Asia”	Linekong Asia Co., Limited, a limited liability company incorporated in Hong Kong on March 27, 2014 and an indirect wholly-owned subsidiary of our Company

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“Linekong Entertainment”	Linekong Entertainment Technology Co., Ltd., also known as Linekong Online (Beijing) Technology Co., Ltd. (藍港在線(北京)科技有限公司), the operating company of the Group established under the laws of the PRC on March 30, 2007, and is owned as to 75.45% by Mr. Wang Feng, 13.64% by Ms. Liao Mingxiang and 10.91% by Mr. Zhang Yuyu, and is controlled by our Group through the Contractual Arrangements
“Linekong Holdings”	Linekong Holdings Limited, a limited liability company incorporated under the laws of the BVI on January 8, 2014 and a direct wholly-owned subsidiary of our Company
“Linekong HK”	Linekong Interactive Entertainment (Hong Kong) Co., Limited, a limited liability company incorporated in Hong Kong on April 27, 2012 and an indirect wholly-owned subsidiary of our Company
“Linekong Korea”	Linekong Korea Co., Ltd., a limited liability company incorporated in South Korea on April 16, 2014 and an indirect wholly-owned subsidiary of our Company
“Linekong Xingyun”	Linekong Xingyun (Beijing) Technology Co., Ltd. (藍港星雲(北京)科技有限公司), a company established under the laws of the PRC on January 16, 2008 and a direct wholly-owned subsidiary of Linekong Entertainment
“Listing”	the listing of our Shares on the Growth Enterprise Market of the Stock Exchange
“Listing Date”	the date, expected to be on or around Friday, December 19, 2014, on which our Shares are listed and from which dealings therein are permitted to take place on GEM
“Listing Division”	the Listing Department of the Stock Exchange
“M&A Rules”	the “Provisions on the Takeover of Domestic Enterprises by Foreign Investors” (《關於外國投資者併購境內企業的規定》) jointly issued by MOFCOM, the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會), SAT, CSRC, SAIC and SAFE on August 8, 2006 and as amended on June 22, 2009
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company (as amended from time to time), adopted on November 20, 2014, a summary of which is set out in Appendix III to this prospectus
“MIIT”	Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部)

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“MOC”	Ministry of Culture of the People’s Republic of China (中華人民共和國文化部)
“MOFCOM”	Ministry of Commerce of the People’s Republic of China (中華人民共和國商務部)
“New Shares”	Shares offered for subscription by our Company pursuant to the Global Offering
“Nomination Committee”	the nomination committee of the Board
“Offer Price”	the final offer price per Offer Share in Hong Kong dollars (exclusive of brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%) of not more than HK\$13.10 and expected to be not less than HK\$9.80, at which Hong Kong Offer Shares are to be subscribed and to be determined in the manner further described in the section headed “Structure of the Global Offering — Pricing and Allocation” in this prospectus
“Offer Share(s)”	the Hong Kong Offer Shares and the International Offer Shares together with, where relevant, any additional Shares which may be sold by the Over-allotment Option Grantors pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option expected to be granted by the Over-allotment Option Grantors to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters) pursuant to the International Underwriting Agreement, pursuant to which the Over-allotment Option Grantors may be required to sell up to an aggregate of 16,642,500 additional Shares at the Offer Price to, among other things, cover over-allocations in the International Offering, if any, further details of which are described in the section headed “Structure of the Global Offering” in this prospectus
“Over-allotment Option Grantors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P., Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Venture 2008, Limited Partnership, each in the capacity of a grantor of the Over-allotment Option pursuant to the International Underwriting Agreement
“PRC Government” or “State”	the central government of the PRC, including all governmental subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them
“PRC Legal Advisor”	Fangda Partners, the legal advisor to our Company as to the laws of the PRC

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“Preferred Shares”	collectively, the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares
“Pre-IPO Investors”	collectively, the Series A Investors, the Series B Investors, the Series C Investors and the Series D Investors
“Price Determination Agreement”	the agreement to be entered into by the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company on the Price Determination Date to record and fix the Offer Price
“Price Determination Date”	the date, expected to be on or around December 12, 2014 (Hong Kong time) on which the Offer Price is determined, or such later time as the Joint Global Coordinators (on behalf of the Hong Kong Underwriters) and our Company may agree, but in any event no later than December 16, 2014
“PricewaterhouseCoopers”	PricewaterhouseCoopers, our Company’s reporting accountant
“prospectus”	this prospectus being issued in connection with the Hong Kong Public Offering
“QIB”	a qualified institutional buyer within the meaning of Rule 144A
“Quwei”	Beijing Quweizhijian Network Technology Co., Ltd. (北京趣味指間網絡科技有限公司), a company established under the laws of the PRC on July 25, 2014 and a direct wholly-owned subsidiary of Linekong Entertainment
“Regulation S”	Regulation S under the U.S. Securities Act
“Remuneration Committee”	the remuneration committee of the Board
“RMB” or “Renminbi”	the lawful currency of the PRC
“Reorganization”	the reorganization arrangements undergone by our Group in preparation for the Listing as described in the section headed “History, Reorganization and Corporate Structure — Reorganization” in this prospectus
“Rule 144A”	Rule 144A under the U.S. Securities Act
“RSU”	a restricted share unit award granted to a participant under the RSU Scheme
“RSU Nominee”	Premier Selection Limited, a company incorporated in the BVI on March 11, 2014, a wholly-owned subsidiary of the RSU Trustee and holds 42,161,541 Shares underlying the RSUs granted and to be granted for the benefit of eligible participants pursuant to the RSU Scheme as of the date of this prospectus

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“RSU Scheme”	the restricted share unit scheme of the Company approved and adopted by the then shareholders of our Company on March 21, 2014 and as amended on August 22, 2014, the principal terms of which are set out in the section headed “Statutory and General Information — D. Share Incentive Schemes — 1. RSU Scheme” in Appendix IV to this prospectus
“RSU Trustee”	The Core Trust Company Limited, an independent and professional trustee appointed by our Company to act as the trustee of the RSU Scheme
“SAFE”	State Administration of Foreign Exchange of the People’s Republic of China (中華人民共和國國家外匯管理局)
“SAFE Circular 37”	the “Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles” (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》) issued by SAFE with effect from July 4, 2014
“SAFE Circular 75”	the “Circular on Foreign Exchange Issues Related to Equity Finance and Round-Trip Investments by Domestic Residents through Offshore Special Purpose Vehicles (《國家外匯管理局關於境內企業通過境外特殊目的公司融資及返程投資外匯管理有關問題的通知》) issued by SAFE with effect from November 1, 2005 and later replaced by SAFE Circular 37
“SAIC”	State Administration of Industry and Commerce of the People’s Republic of China (中華人民共和國國家工商行政管理總局)
“Sale Shares”	the Shares to be offered for sale by the Selling Shareholders at the Offer Price under the Global Offering
“SAT”	State Administration of Taxation of the People’s Republic of China (中華人民共和國國家稅務總局)
“Selling Shareholders”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P., Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership, each in the capacity of a seller of the Sale Shares pursuant to the International Underwriting Agreement
“Series A Investors”	IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., further details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus
“Series B Investors”	Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited

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	Partnership, further details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus
“Series C Investors”	Starwish Global Limited, Profitable Century International Limited, Orchid Asia V, L.P., Orchid Asia V Co-Investment, Limited, SAIF IV Hong Kong (China Investments) Limited, Famous Sino Limited and Eager Info Investments Limited, further details of which are set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus
“Series D Investor”	Baidu Holdings Limited, further details of which is set out in the section headed “History, Reorganization and Corporate Structure” in this prospectus
“Series A Preferred Shares”	the initial 1,777,778 convertible preferred shares with par value of US\$0.001 each in the share capital of our Company and which were subsequently increased to a total of 71,111,120 shares with par value of US\$0.000025 each upon completion of the Share Subdivision
“Series B Preferred Shares”	the initial 1,061,360 convertible preferred shares with par value of US\$0.001 each in the share capital of our Company and which were subsequently increased to a total of 42,454,400 shares with par value of US\$0.000025 each upon completion of the Share Subdivision
“Series C Preferred Shares”	the initial 622,637 redeemable convertible preferred shares with par value of US\$0.001 each in the share capital of our Company and which were subsequently increased to a total of 24,905,480 shares with par value of US\$0.000025 each upon completion of the Share Subdivision
“Series D Preferred Shares”	the 14,793,523 redeemable convertible preferred shares with par value of US\$0.000025 each in the share capital of our Company
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended or supplemented from time to time
“Shareholder(s)”	holder(s) of our Shares
“Share Option Scheme”	the share option scheme we conditionally adopted pursuant to a resolution passed by our Shareholders on November 20, 2014, the principal terms of which are set out in the section “Statutory and General Information — D. Share Incentive Schemes — 3. Share Option Scheme” in Appendix IV

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“Shares”	ordinary share(s) in the capital of our Company with nominal value of US\$0.000025 each
“Share Subdivision”	the share subdivision of our Company implemented in January 2014 whereby each of our ordinary share with par value of US\$0.001 per share was subdivided into 40 Shares of par value of US\$0.000025 per share, each of our Series A Preferred Shares with par value of US\$0.001 per share was subdivided into 40 Series A Preferred Shares with par value of US\$0.000025 per share, each of our Series B Preferred Shares with par value of US\$0.001 per share was subdivided into 40 Series B Preferred Shares with par value of US\$0.000025 per share, and each of our Series C Preferred Shares with par value of US\$0.001 per share was subdivided into 40 Series C Preferred Shares with par value of US\$0.000025 per share
“Shouyoutong”	Shouyoutong (Beijing) Technology Co., Ltd. (手遊通(北京)科技有限公司), formerly known as Beijing Huoying Shidai Network Technology Co., Ltd (北京火影時代網絡科技有限公司), a company established under the laws of the PRC on August 26, 2011 and a direct wholly-owned subsidiary of Linekong Entertainment
“Stabilizing Manager”	Citigroup Global Markets Asia Limited
“Stock Borrowing Agreement”	the stock borrowing agreement expected to be entered into between the Over-allotment Option Grantors and the Stabilizing Manager, pursuant to which the Stabilizing Manager may borrow up to an aggregate of 16,642,500 Shares to, among other things, cover any over-allocations in the International Offering
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed thereto in section 15 of the Companies Ordinance
“substantial shareholder”	has the meaning ascribed thereto in the GEM Listing Rules
“Tianjin 8864”	Tianjin Baba Liusi Network Technology Co., Ltd (天津八八六四網絡技術有限公司), a company established under the laws of the PRC on December 26, 2012 and a direct wholly-owned subsidiary of Linekong Entertainment
“Track Record Period”	the period comprising the two financial years ended December 31, 2013 and the six months ended June 30, 2014
“Underwriters”	the Hong Kong Underwriters and the International Underwriters
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement

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“U.S.” or “United States”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“US\$”, “USD” or “U.S. dollars”	United States dollars, the lawful currency for the time being of the United States
“U.S. Securities Act”	the U.S. Securities Act of 1933, as amended and supplemented or otherwise modified from time to time, and the rules and regulations promulgated thereunder
“VIE”	variable interest entity, which in our Group refers to Linekong Entertainment
“White Form eIPO”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of White Form eIPO at www.eipo.com.hk
“White Form eIPO Service Provider”	Computershare Hong Kong Investor Services Limited
“Zhixun Tiantong”	Beijing Zhixun Tiantong Technology Co., Ltd. (北京智訊天通科技有限公司), a company established under the laws of the PRC on June 13, 2012 and a direct wholly-owned subsidiary of Shouyoutong
“Zhixun Tiantong Information”	Beijing Zhixun Tiantong Information Technology Co., Ltd. (北京智訊天通信息技術有限公司), a company established under the law of the PRC on May 20, 2014 and a direct wholly-owned subsidiary of Linekong Entertainment
“Zhuhai Linekong”	Zhuhai Linekong Online Technology Co., Ltd. (珠海藍港在線科技有限公司), a company established under the laws of the PRC on October 30, 2008, which is owned as to 97% by Linekong Entertainment and 3% by Yang Yinfeng, an independent third party.
“%”	per cent.

The English translation of the PRC entities, enterprises, nationals, facilities, regulations in Chinese or another language included in this prospectus is for identification purposes only. To the extent there is any inconsistency between the Chinese names of the PRC entities, enterprises, nationals, facilities, regulations and their English translations, the Chinese names shall prevail.

GLOSSARY

This glossary contains certain definitions and technical terms used in this prospectus in connection with our business. As such, some terms and definitions may not correspond to standard industry definitions or usage of such terms.

“ACT games”	action games, which refers to games in which players control the avatar of a protagonist to navigate different levels of the game, collect objects, avoid obstacles and battle enemies with various attacks, with emphasis on players’ hand–eye coordination and reaction time
“active players” or “active users”	in any given period, (i) active players of a particular game refers to all registered players of such game that have entered the game at least once in such period; and (ii) active players of a particular type or all of our games refers to the simple sum of the active players of each game of such type or all of our games, as applicable, in such period and a registered player that entered two or more games in such period is counted as two or more active players in such period
“ARPPU”	average revenue per paying player, which represents our revenue recognized for a particular game, a particular type of games or all of our games, as applicable, in the period divided by the number of paying players of the game, the type of games or all of our games, as applicable, in such period
“average DAUs”	average daily active users, which refers to, with respect to any given period, the sum of active users in each day during such period divided by the number of days in such period
“average MAUs”	monthly active users, which refers to, with respect to any given period, the sum of active users in each month during such period divided by the number of months in such period
“average monthly paying players”	in any given period, refers to the sum of paying players for a particular game, a particular type of game or all of our games, as applicable, in each month during the period divided by the number of months in such period
“average monthly ARPPU”	in any given period, refers to our revenue recognized for the period divided by the number of months in such period and further divided by the average monthly paying players for such period
“CCG”	collectible card games, also known as trading card games or customizable card games, which refers to card games involving specially designed sets of playing cards and in which players put together their own decks by acquiring cards through trading with other players or buying card packs and then use the decks to play against other players

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“client-based games”	online games that are played on PCs and require game software to be downloaded and actively installed on the PCs before the games can be played
“CPU”	central processing unit
“FPS”	first-person shooter, which refers to games centered on gun and projectile weapon-based combat through a first-person perspective
“GPU”	graphic processing unit
“Gross Billings from Paying Players”	with respect to any game in any given period, refers to the amount of our revenue recognized during the period plus the change in our deferred revenue during the period in each case resulting from our self-publishing of the game
“Fees from Third-Party Publishers”	with respect to any game in any given period, refers to the aggregate amount of license fee paid by third-party publishers and technical service fee payable by third-party publishers to us for the game in such period, regardless of whether such fees were recognized as our revenue in such period
“mobile games”	games that are downloaded to and played on mobile devices including smartphones and tablets and do not include feature phone games as used in this prospectus
“OKSDK”	an interfacing software developed by us that can be easily packaged with online games developed by us or third parties and make them installable on our distribution platform, 8864.com, and third-party distribution channels’ platforms
“online games”	video games that are played over some form of computer network, such as the Internet or the mobile Internet
“paying players”	in any given period, (i) paying players of a particular game refers to all registered players who charged their accounts for the game with virtual credits purchased from us at least once in such period regardless of whether such virtual credits were converted into virtual items or any virtual items were consumed by the registered players in such period; and (ii) paying players of a particular type or all of our games refers to the simple sum of the paying players of each game of such type or all of our games, as applicable, in such period and a paying player that purchased virtual credits for two or more games in such period is counted as two or more paying players in such period

GLOSSARY

“Peak Monthly Gross Billings”	with respect to any game, refers to the highest aggregate amount of (i) Gross Billings from Paying Players and (ii) Fees from Third-Party Publishers for such game in any calendar month
“PC”	desktop and laptop personal computers
“registered players”	as of any point of time, (i) registered players of a particular game refers to player accounts that (A) were registered on either our own unified player registration system or the user registration system of a third-party distribution channel or overseas publisher of such game and (B) had at least one entry into such game prior to such time; and (ii) registered players of certain type or all of our games refers to the simple sum of the registered players of each game of such type or all of our games, as applicable, as of such time and a player account that has been used to enter two or more games is counted as two or more registered players
“registered users of 8864.com”	refers to player accounts that are registered on our own unified player registration system and corresponds to the number of Linekong Passports issued by us, and a player account that has been used to enter more than one of our games is counted only once for this purpose
“RPGs”	role-playing games, which refers to games that involve a large number of players who interact with each other in an evolving fictional world. Each player adopts the role of one or more “characters” who develop specific skill sets (such as melee combat or casting magic spells) and control the character’s actions. There are unlimited possible game scenarios where the evolution of the game world is determined by the actions of the players, and the storyline continuously evolves even while the players are offline and away from the games
“TBGs”	turn-based games, which refers to games in which the flow of combat is split into turns and each player is allowed a designated time period to formulate his or her game actions. One round is considered to be completed once every player has taken his or her turn, after which the next round begins
“virtual items”	in-game items that enhance players’ in-game experience, by, for example, enhancing the powers, abilities, attractiveness and social interaction of their characters, or enabling them to advance in the game more conveniently
“webgames”	games that are played in a web browser on PC without downloading any application

FORWARD-LOOKING STATEMENTS

This prospectus contains certain forward-looking statements and information relating to our Company and our subsidiaries that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. All statements other than statements of historical fact contained in this prospectus, including, without limitation, those regarding our future financial position, strategies, plans, objectives, goals and targets, future developments in the markets where we participate or are seeking to participate and any statements preceded by, followed by or that include the words “aim”, “anticipate”, “believe”, “could”, “estimate”, “expect”, “going forward”, “intend”, “may”, “ought to”, “plan”, “project”, “seek”, “should”, “will”, “would” and similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. These forward-looking statements reflecting our current views with respect to future events are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements.

Important factors that could cause our actual results, performance or achievements to differ materially from those in the forward-looking statements include, without limitation, the risk factors set forth under the section headed “Risk Factors” in this prospectus and the following:

- our business prospects;
- future developments, trends and conditions in the industry and markets in which we operate;
- our business strategies and plans to achieve these strategies;
- general economic, political and business conditions in the markets in which we operate;
- changes to the regulatory environment and general outlook in the industry and markets in which we operate;
- the effects of the global financial markets and economic crisis;
- our ability to reduce costs;
- our dividend policy;
- the amount and nature of, and potential for, future development of our business;
- capital market developments;
- the actions and developments of our competitors; and
- change or volatility in interest rates, foreign exchange rates, equity prices, volumes, operations, margins, risk management and overall market trends.

Subject to the requirements of applicable laws, rules and regulations, we do not have any and undertake no obligation to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. As a result of these and other risks, uncertainties and assumptions, the forward-looking events and circumstances discussed in this prospectus might not occur in the way we expect, or at all. We caution you not to place undue reliance on any forward-looking statements or information.

In this prospectus, statements of or references to the intentions of our Company or any of our Directors are made as of the date of this prospectus. Any such intentions may potentially change in light of future developments.

All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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In addition to other information in this prospectus, you should carefully consider the following risk factors before making any investment decision in relation to the Offer Shares. If any of the possible events described below occur, our business, financial condition or results of operations could be materially and adversely affected and the market price of the Offer Shares could fall significantly and you may lose all or part of your investment.

You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in the Offer Shares. Our business, financial condition, results of operations or prospects could be materially and adversely affected by any of these risks and uncertainties. The market price of the Offer Shares could significantly decrease due to any of these risks and uncertainties, and you may lose all or part of your investment.

We believe that there are certain risks involved in our operations, many of which are beyond our control. These risks can be categorized into (i) risks relating to our business; (ii) risks relating to our corporate structure; (iii) risks relating to our industry; (iv) risks relating to conducting business in the PRC; and (v) risks relating to the Global Offering. Additional risks and uncertainties presently not known to us or not expressed or implied below, or that we currently deem immaterial could also harm our business, financial condition and operating results. You should consider our business and prospects in light of the challenges we face, including the ones discussed in this section.

Risks Relating to Our Business

Our rapid growth during the Track Record Period may not be indicative of our future growth, and our relatively short operating history in developing and publishing mobile games makes it difficult to evaluate our prospects and future financial performance.

We have a limited history of developing and publishing mobile games based on which the viability and sustainability of our business may be evaluated. We commercialized our first client-based game in 2007, our first webgame in 2011 and our first mobile game in March 2013. Prior to March 2013, we primarily generated revenues from client-based games and webgames. Revenue generated from mobile game increased significantly and accounted for 48.4% and 86.6% of the total revenue for the year ended December 31, 2013 and six months ended June 30, 2014, respectively, and revenue contribution from our mobile games may not be sustainable, given our short operating history in developing and publishing mobile games. We expect that most of the new games we develop and/or publish will be mobile games going forward. Our short operating history in developing and publishing mobile games makes it difficult to effectively evaluate our prospects and future financial performance.

We face various risks and uncertainties as a result of our strategic decision to transform ourselves into a mobile game company. Such risks and uncertainties include:

- given the fast pace with which mobile game technologies have been and will continue to be developed, we may not be able to continuously identify, develop, license, publish and upgrade games that are suitable for rapidly evolving mobile devices and platforms in a timely and cost-effectively manner, or at all;
- we may not be able to anticipate and effectively respond to the changing interests of players on mobile devices and platforms, or effectively market our mobile games to our existing players and attract new mobile game players;
- each mobile device manufacturer or mobile platform provider may establish unique technological requirements or restrictive terms and conditions for game developers on their devices or platforms, and our games may not be compatible or functional on these devices and

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platforms, especially immediately after such devices and platforms are launched or upgraded, and we may need to devote significant resources for the creation, support and maintenance of our games to keep pace with the evolving mobile devices and platforms;

- we may not be able to improve the quality and make available more options of payment methods based on the mobile platforms, geographies and other factors, and as a result, we may not be successful in attracting more players to purchase our in-game virtual items;
- we may not be able to successfully manage our growth and business expansion, including controlling costs, establishing sufficient internal controls, attracting and retaining talent and maintaining our corporate culture; and
- we may not be able to continuously upgrade our technology and infrastructure to support increased player traffic and expanded game portfolio and to maintain our system stability.

These and other risks and uncertainties make it difficult to assess whether we will continue to succeed in implementing our strategy relating to mobile game business. Addressing these and other risks and uncertainties will require significant capital expenditure and allocation of valuable management and employee resources. If we fail to successfully address any of these risks and uncertainties, our business prospects and results of operations may be materially and adversely affected. You should consider our future prospects in light of the risks and uncertainties experienced by early stage companies in evolving industries.

We may not be able to continuously improve and upgrade our existing self-developed games and develop new popular games, which will materially and adversely affect our ability to compete in the mobile game market.

In order to continue to build up our brand name in the mobile game market and expand our business, we must continue to invest significant resources in research and development to develop new high-quality games that appeal to game players and improve and upgrade our existing games, including the introduction of updates and expansion packs for the existing games to extend their commercial lifespans.

Our ability to develop successful new games will largely depend on our ability to (i) anticipate and effectively respond to changing interests and preferences of the game players and technological advances in a timely manner, (ii) anticipate and respond to changes in the competitive landscape, (iii) attract, retain and motivate talented game development personnel, and (iv) execute effectively our game development plans. In-house development also requires a substantial initial investment prior to the launch of a game, as well as a significant commitment of future resources to produce updates and expansion packs. We cannot guarantee that our future self-developed games will be successful, or rapidly changing industry trends and player preferences will not render our games obsolete over time.

Our ability to introduce successful updates and expansion packs for our existing games will also depend on our ability to collect and analyze users' behavior data and feedback from our online community in a timely manner and to effectively incorporate features into our updates and expansion packs to improve the variety and attractiveness of our virtual items. We cannot assure you that we will be able to collect and analyze game players' behavior data on a timely basis or that such data will accurately reflect game players' behavior.

If we are unable to anticipate and respond to player interests and preferences or industry changes to enhance our self-developed games, or if we are unable to develop new popular games, our player base may not increase at the rate we anticipate, or at all, and it may even decrease. As a result, our business, prospects, financial condition and results of operations may be materially and adversely affected.

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A small number of games with limited commercial life-spans generated a substantial majority of our revenue in recent fiscal periods. If these games do not continue to succeed or we do not release highly successful new games, our revenues would decline.

A significant portion of our revenue came from a small number of games during the Track Record Period. Our top five revenue-generating games generated an aggregate of 86.5%, 91.9%, 91.8% and 94.5% of our total revenue in 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively. These top revenue-generating games differed from period to period as most of our games have a relative short commercial life-span and many of our top revenue-generating games in a given period experienced significant decrease in their revenues in the following period. For example, four of our top five revenue-generating games for 2012 experienced significant decrease in their revenues in 2013 and we expect all of our top five revenue-generating games for 2013 to generate less revenue in 2014 than what they generated in 2013. Moreover, two of our top five revenue-generating games for 2012 have already been phased out by us. As such, our future growth will depend on our ability to continuously launch new games that generate significant revenue.

We expect the life-spans of our mobile games may be even shorter than some of our most successful client-based games and webgames. According to the Analysys Report, most mobile games have a lifespan of six to 12 months. Our first mobile game, *Excalibur*, was commercialized in March 2013 and generated revenue of RMB239.0 million in 2013, but generated revenue of only RMB85.6 million in the first six months of 2014, which indicated that its revenue generating capability may be declining. While we believe our two other top revenue-generating games for the first half of 2014, *Sword of Heaven* and *Blade of God*, are still in early stages of their commercial life-spans and we expect to be able to extend the commercial life-spans of these games by enhancing, expanding and upgrading them to include new features that appeal to existing players and attract new players, we do expect revenue generated from these top revenue generating games to gradually decline over time in a similar manner to our other titles, and we must continue to launch new games that generate significant revenue to continue to grow revenue in the future. If our new games are not successful or if we are not able to cost-effectively extend the lives of our successful games, our revenue could be limited and our business and operating results would suffer.

In addition, our business prospects, financial condition and results of operations would be materially and adversely affected by any factor that contributes to a decline in revenue from our top revenue generating games, including:

- any reduction in purchases of virtual credits and virtual items for these games by their players;
- a decrease in the popularity of any of these games in China or abroad due to increased competition or other factors;
- failure to improve, update or enhance these games in a timely manner; or
- any lasting or prolonged server interruption due to network failures or other factors or any other adverse developments.

We may not be able to extend licenses for our existing licensed games or license new high-quality games, which will materially and adversely affect our game publishing business.

Game publishing is an important component of our business. As part of our game publishing business, we license games from third parties. In 2012, 2013 and the six months ended June 30, 2013 and 2014, we derived approximately 12.1%, 18.1%, 24.0% and 27.5% of our revenues, respectively, from online games that were licensed from third parties. We need to maintain good relationships with our

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licensors to ensure the continued smooth operation of our licensed games. Additionally, we depend upon our licensors to provide technical support necessary for the operation of the licensed games, as well as updates and expansion packs that help to sustain interest in a game. Finally, our licenses may be terminated upon the occurrence of certain events, such as a material breach by us. Not all of our license agreements allow us to automatically extend the term of the license without renegotiating with the licensors. We may want to extend a license upon its expiration but may not be able to do so on terms acceptable to us or at all. Our licensors may also demand new royalty terms that are unacceptable to us. Our ability to continue to license our games and to maintain good relationships with our licensors also affect our ability to license new games developed by the same licensors. We also face challenges in identifying high-quality game developers and licensing popular and profitable games from such developers on terms acceptable to us. If we fail to maintain good relationships with our licensors, extend licenses for our existing licensed games and license new high-quality games, our business and results of operation may be materially and adversely affected.

We generate the majority of our revenues from sales of virtual items. If we are unable to effectively market and price these virtual items, or if this item-based business model ceases to be commercially successful, or if we change our revenue model in the future but fail to effectively adjust to such new revenue model, our results of operations, financial condition and business prospects could be materially and adversely affected.

All of our games are free to play, and we generate the majority of our revenues from sales of in-game virtual items. The success of this business model largely depends upon whether we can attract game players to play our games and, even more importantly, whether we can successfully encourage more players to purchase virtual items and more paying players to increase their in-game purchases. It is possible that we may not be able to market and price our virtual items effectively, or we fail to accurately identify and introduce new and popular virtual items or price them properly. In addition, this business model may cease to be commercially successful. There is no assurance that a sufficiently broad base of game players will continue to accept this model or that a new, competing business model will not emerge. If we fail to continue to monetize our player base through sales of in-game virtual items, our business, financial condition and prospects may be materially and adversely affected.

In addition, the item-based revenue model requires us to develop or license games that encourage players to spend more time playing our games and purchase virtual items, which may cause additional concerns from PRC regulators, who have been implementing regulations designed to reduce the amount of time that Chinese youth spend on playing online games. Because we do not charge our players by the amount of time they spend on our games, our revenue model may be viewed by the PRC regulators as inconsistent with their goals. Please refer to the section headed “— Risks Relating to Our Industry — Additional government regulations resulting from negative publicity in China regarding online games or otherwise may have a material adverse effect on our business, financial condition and results of operations.”

We may change the revenue model for some of our games in the future if we determine that our existing revenue model is not optimal and may adopt new revenue models for new types of games we may develop or license in the future. We may have difficulties in effectively adjusting to a new revenue model because we have adopted an item-based revenue model from inception and we do not have the experience of reassessing and revising our revenue model. A change in revenue model could have adverse consequences, including disruption to our game operations, criticism from players who have invested time and money in a game and may be adversely affected by such a change, decrease in the number of our players or decrease in revenue we generate from our games.

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We rely on a small portion of our players to generate our revenues. If we fail to attract enough paying players, or fail to increase or maintain their in-game purchases, our results of operations and business might be adversely affected.

A small portion of our players are paying players. We had 69.7 thousand, 128.2 thousand and 256.0 thousand average monthly paying players in 2012, 2013 and six months ended June 30, 2014, respectively. As a result, the numbers of the registered players of our games, DAUs and MAUs do not necessarily indicate our actual and potential revenue generating capability. Our sustainable growth will largely depend on our ability to satisfy the demands of our paying players, increase the number of paying players and drive their in-game purchases. If we cannot retain our paying players, attract more registered players to become paying players or increase or maintain their in-game purchases, our revenues and profit margin may be adversely affected.

Our new games may attract players away from our existing games, which may have a material adverse effect on our business, financial condition and results of operations.

Our new games may attract players away from our existing games and shrink the player base of our existing games, which could in turn make those existing games less attractive to other players, resulting in decreased revenue from our existing games. Players of our existing games may also spend less money purchasing virtual items in our new games than they would have spent if they had continued playing our existing games. The occurrence of any of the above may have a material adverse effect on our business, financial condition and results of operations.

We rely on third-party distribution channels to distribute our games, and our business and results of operations may be materially and adversely affected if we fail to maintain relationships with a sufficient number of distribution channels, or if such channels lose popularity among Internet users.

In addition to our own distribution channel, 8864.com, we utilize about two hundred distribution channels owned and operated by third parties, including major online application stores, such as Apple Inc.'s App Store, and mobile game portals, such as Tencent Android App (騰訊應用寶), 360 Mobile Assistant (360 手機助手), Baidu Mobile Assistant (百度手機助手), 91 Mobile Assistant (91 手機助手) and UC (九游), for the distribution of our games. See "Business — Game Distribution and Payment Collection Channels — Third-Party Distribution Channels." In 2012 and 2013 and six months ended June 30, 2013 and 2014, revenue derived from sales of in-game virtual items through third-party distribution channels accounted for 48.9%, 63.9%, 60.4% and 74.9% of our revenue, respectively. These online application stores and mobile game portals have strong bargaining power in dealing with online game developers and publishers like us. We are subject to the standard service terms and conditions of these mobile game portals and online application stores with regard to the promotion, distribution, operation and payment methods for our online games. If any of these online application stores or online game portals (i) goes out of business, (ii) discontinues its relationship with us due to any reason, such as our failure to comply with any laws or regulations in any jurisdiction where our games are offered, (iii) limits our players' access to its platforms, (iv) modifies its terms of services or other policies, (v) changes its fee structure, (vi) provides more favorable terms to our competitors or develop its own games, or (vii) is forced to cease the business relationship with us due to its lack of required license or permits or other regulatory compliance issues, our business could be adversely affected.

Furthermore, under the cooperative agreements we entered into with our game distribution channels, we are responsible for the losses incurred by these parties resulting from the violation of any applicable rules and regulations or any infringement upon any third party's intellectual property rights by our games. The cooperative agreements may be terminated by these game distribution channels if our

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games are reported to have violated the relevant rules or regulations or have infringed upon other parties' intellectual property rights, or if our games are not able to operate properly and we are not able to solve the technical problems within the required period. If any of the above happens and the relevant cooperative agreement is terminated, our business may be materially and adversely affected.

In addition, we have benefited from these mobile game portals and online application stores' widely recognized brand names and large user bases. If any of these online game portals or online application stores loses its market position or otherwise falls out of favor among users or other factors cause its user base to stop growing or shrink, or if any of them fails to perform its contractual obligations to us, we would need to identify alternative platforms for distributing our online games, which would consume substantial resources and may not be effective, or available at all.

Five of our games were commercialized in the PRC before we obtained GAPP approvals for such games and one of such games is still in the process of publishing and filing with the GAPP, pending GAPP approval.

As stated in the section headed "Regulatory Overview" in this prospectus, we are required to complete the publishing and filing procedure with the GAPP as evidenced by an approval issued by GAPP for online games operated by us before they are commercialized pursuant to the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (《關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) (the "GAPP Online Game Notice"). According to the GAPP Online Game Notice, if we fail to complete such publishing and filing procedures and obtain GAPP approvals before commercialization of such games, or at all, the games may be ordered to cease operation and subject us to penalties. The GAPP Online Game Notice does not specify what penalties can be imposed. The GAPP Online Game Notice also provides that serious violation of the GAPP Online Game Notice will result in suspension or revocation of relevant licenses and registrations.

Our PRC operating entity, Linekong Entertainment, obtained its license to publish online games in China in January 2011. We had commercialized one client-based game, *Unparalleled Devil*, one webpage, *Bubble Ninja*, and three mobile games, *Excalibur*, *Sword of Heaven* and *Blade of God*, before we obtained GAPP approvals for these games for the reasons described in the section headed "Business — Legal Compliance and Proceedings" in this prospectus.

The revenue generated by the five games named above for 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, are set out as follows:-

	<u>Year ended December 31,</u>		<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
<i>Unparalleled Devil</i>	2,762	1,465	897	617
<i>Bubble Ninja</i>	135,399	50,161	34,440	2,425
<i>Excalibur</i>	99	238,970	68,413	85,557
<i>Sword of Heaven</i>	-	9,910	-	150,911
<i>Blade of God</i>	-	-	-	77,042

As of the Latest Practicable Date, the publishing and filing procedure with GAPP for *Unparalleled Devil*, *Bubble Ninja*, *Excalibur* and *Sword of Heaven* were completed or deemed to have been completed and GAPP approvals for these games were obtained or deemed to have been obtained. The publishing and

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filing procedure for *Blade of God* is still pending and GAPP approval for this game has not been obtained yet. There can be no assurance that Linekong Entertainment can complete the publishing and filing procedures and obtain GAPP approvals for *Blade of God* or our future new games in time. Our results of operations may be adversely affected if we have to delay commercialization of our future new games due to our failure to obtain GAPP approvals in time or if Linekong Entertainment is penalized by relevant governmental authorities due to the failure to complete the publishing and filing procedures and obtain GAPP approvals.

Our data analytics capability may be harmed if we fail to properly collect, store or analyze player data.

Our game development and publishing businesses are data driven and we rely on our data analytics capability to continue developing and publishing popular games, improve player experience and eventually enhance monetization of our games. Our game development and publishing teams are required to collect and store all player behavior data in accordance with certain protocols in a timely manner. If they fail to collect or retain certain data, we may not have the data we need to conduct our data analytics. If there is significant delay in collecting player behavior data, the data may not be able to accurately or fairly reflect the latest player behavior and will be meaningless or even misleading in our game development process. In addition, we cannot assure you that our data will not be damaged or lost due to technical errors, security breaches or hacking activities. Furthermore, our data analytics methodology may not be as effective as expected and may fail to capture the latest market trends and player preferences. If any of the above occurs, our business may be negatively affected.

The online game industry in general, and the mobile game industry in particular, is highly competitive. If we are unable to compete effectively, our business, financial condition and results of operations will be materially and adversely affected.

The online game industry is highly competitive and consists of a large number of online game developers and publishers. In recent years, numerous competitors have entered the mobile game industry in China. We expect more companies to enter the market and a wider range of mobile games and other online games to be introduced in China. Competition from other mobile game developers or publishers and other online game developers and publishers, based both in China and overseas, is likely to increase in the future. We compete principally with online game developers and operators, such as Tencent Holdings Limited, Netease, Perfect World and China Mobile Games and Entertainment Group Limited in China, and CJ Game, Supercell and Kabam in the international markets. The online game industry in China is constantly evolving, and unforeseen changes in this industry may prove to be more advantageous to certain competitors than to us. In particular, any of these competitors may offer products and services that provide improvements in performance, price, creativity or other advantages over our products, which may weaken our competitive position.

In addition, high-profile companies with significant online presences that have not yet developed mobile games may decide to invest in the mobile game industry. Some of our current and potential competitors have significant resources for developing or acquiring games. They may also be able to leverage their own highly established brands, high user traffic and other assets in developing and marketing their games, and have a more diversified set of revenue sources than we do. As a result, they may be less severely affected by changes in consumer preferences, regulations or other developments that may impact the online game industry. If any of our current or future competitors are acquired by, receive investments from or enter into other strategic or commercial relationships with larger, more established and better financed companies, they may have access to significantly greater financial, marketing and game licensing and development resources.

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Increased competition in the online game industry in China may make it more difficult for us to retain existing players and attract new players. Moreover, we may face competition from console games (that is, video games that are played on a console as opposed to a personal computer or mobile devices) that have previously achieved significant success in markets other than China and now have been permitted to be sold in China, provided that such console games are produced by foreign-invested companies in the Shanghai Free Trade Zone and have passed the examination conducted by PRC cultural authority. If these console games become more popular, we may face additional competition. Further, we also compete for players with various other offline games, such as arcade games and handheld games, as well as various other forms of traditional or online entertainment and any new form of entertainment that emerges in the future. If we are unable to compete effectively, our business, financial condition and results of operations may be materially and adversely affected.

We use third-party payment channels to collect payments from our paying players, and our business and results of operations may be materially and adversely affected if we fail to maintain relationships with a sufficient number of payment channels, or if the popularity or services provided by such channels deteriorate.

The online application stores and mobile game portals that serve as our distribution channels also serve as our payment collection channels. See “Business — Our Payment Collection Channels — Payments Through Third-Party Distribution Channels.” We also use third-party online payment vendors, such as online banking services of commercial banks, Alipay and Tenpay, to collect payments. See “Business — Our Payment Collection Channels — Payments Through Third-Party Payment Vendors.” Any scheduled or unscheduled interruption in the ability of our players to use payment services offered by these online application stores, mobile game portals or online payment channels could adversely affect our payment collection, and in turn, our revenue. In all the online payment transactions through these payment channels, secured transmission of confidential information, including credit card numbers and personal information of the players over public networks, is essential to maintain their confidence in us and our games. We also rely on the stability of such payment transmissions to ensure the continued payment services provided to our players. We do not have control over the security measures of our third-party payment channels. If any of these third-party payment channels fails to process, or ensure the security of, players’ payments for any reason, our reputation will be damaged and we may lose our paying players and discourage future purchases, which in turn will materially and adversely affect our business, financial condition and prospects.

Our international expansion entails risks and uncertainties. If we fail to manage our international expansion effectively, our growth rate and prospects could be materially adversely affected.

We have established subsidiaries in South Korea and Hong Kong to engage or potentially engage in online game publishing business. Subject to our market research results, we are considering to establish presence in more countries and regions, such as Southeast Asia and the United States, and expand our publishing business into such markets. In addition, we intend to license more of our games to overseas game publishers so that our games will be published in more countries and regions. See “Business — International Markets.” Continuing the international expansion is an important component of our growth strategy and such expansion may subject us to significant risks, including but not limited to risks relating to:

- identifying appropriate international markets;
- recruiting and retaining talented local personnel;
- providing and customizing games that cater to local players’ interests and preferences;

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- competing with local online game developers and publishers with established market shares and a better understanding of local players' needs and preferences;
- identifying and negotiating with local business partners, including those involved in the game distribution, payment channel operations and other businesses;
- incurring higher costs (including, but not limited to, sales and marketing costs, ongoing compliance costs, etc.) associated with doing business internationally;
- adapting to local business practices;
- encountering protectionist laws and business practices that favor local businesses;
- protecting our intellectual property;
- facing foreign tax consequences; and
- encountering country-specific economic downturns and exchange rate fluctuations.

We have limited history in providing and operating online games for players in overseas markets and may have difficulty adequately responding to the challenges and uncertainties we face. If we are unable to manage the risks and costs of our international expansion effectively, our growth rate and prospects may be materially and adversely affected.

The successful operation of our business and implementation of our growth strategies depends upon the performance and reliability of the mobile networks and Internet infrastructure in China.

All of our mobile games are designed for access through mobile networks and our webgames and other online games can only be accessed through Internet connections. Because our games, including our self-developed games and licensed games, are midcore and hardcore games that offer rich content and high-resolution graphics, the smooth operation of our games requires high-speed data transmission on the mobile networks or over the Internet. As such, the successful operation and expansion of our business depend upon the availability of high-speed mobile networks and Internet connection as well as the continuing improvement in the performance and reliability of such networks and infrastructure.

Furthermore, as we operate all our games in China, we highly depend on the performance and reliability of the Internet infrastructure in China that are maintained through state-owned telecommunications carriers. Any disruptions or other problems with these services are out of our control and may be difficult for us to remedy. If our arrangements with any of these third parties are terminated, invalidated, or modified against our interest, we may not be able to find alternative services or solutions on a timely basis or on terms favorable to us, or at all.

In addition, the national networks in China are connected to the Internet through international gateways controlled by the PRC government. These international gateways are the only channels through which a domestic player can connect to the Internet. They may not have adequate capacity to satisfy the demand from the continued growth in Internet usage. In addition, in the event of any infrastructure disruption or failure we would have no access to alternative networks and services on a timely basis, if at all, which could have a material adverse effect on our business, financial condition and results of operations.

Our technology infrastructure may experience unexpected system failure, interruption, inadequacy or security breaches.

Our technology infrastructure may encounter disruptions or other outages caused by problems or defects in our own technologies and systems, such as malfunctions in software or network overload. Our

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growing operations will place increasing pressure on our server and network capacities as we launch more games and further expand our player base. We may encounter problems when upgrading our systems or services and undetected programming errors, which could adversely affect the performance of our game operating systems and player experience. In addition, we rely on third-party service providers for certain key aspects of our network infrastructure and technology systems, including storage and maintenance of owned and leased servers hosted in China and other countries and regions.

Furthermore, our infrastructure is also vulnerable to damages from fires, floods, earthquakes, power loss and telecommunication failures. Any network interruption or inadequacy that causes interruptions to our games or the access to our game operating systems, or failure to maintain the network and server or solve such problems in a timely manner, could reduce our players' satisfaction, which in turn, will adversely affect our reputation, player base and future operations and financial condition.

In addition, any security breach caused by hackings, which involve efforts to gain unauthorized access to our information or systems, or to cause intentional malfunctions, loss or corruption of data, software, hardware or other computer equipment, the intentional or inadvertent transmission of computer viruses and similar events or third-party actions could have a material and adverse effect on our business, financial condition and results of operations. Operations of our games involve the storage and transmission of players' game account information in our facilities and on our equipment, networks and corporate systems, which may be breached due to the actions of outside parties, employee error, malfeasance, a combination of these, or otherwise. It may be difficult for us to respond to security breaches in a timely manner or at all. Any failure to maintain performance, reliability, security and availability of our network infrastructure to the satisfaction of our players may harm our reputation and our ability to retain existing players and attract new players. If an actual or perceived breach of our security occurs, players' confidence in the effectiveness of our security measures could be harmed. As a result, we could lose players and suffer financial losses due to such events or in connection with the remediation efforts, investigation costs and system protection measures.

Errors or defects in our games and the proliferation of cheating programs and activities could materially and adversely affect our business prospects and results of operations.

Our games may contain errors or other minor defects. In addition, parties unrelated to us have developed, and may continue to develop, cheating programs and engage in other activities that enable players to obtain unfair advantages over other players who do not use such programs or engage in such activities. The occurrence of errors or defects in our games or our failure to discover and disable cheating programs and activities affecting the fairness of our game environment could disrupt our operations, damage our reputation and discourage our players from playing our games and purchasing virtual items. We cannot assure you that we will not receive any complaint from players in the future. The measures adopted by us to discover and disable cheating programs and activities may not be able to eliminate and prevent such programs and activities effectively or quickly. This may lead to unsatisfactory game experience, losses of revenue from paying players, increased cost of developing technological measures to combat these practices and activities, legal claims relating to the decrease in value of our virtual items, and increased customer service costs to respond to dissatisfied players.

Our players may sell and purchase virtual credits or virtual items in violation of our game policies.

We have established game policies against unauthorized and inappropriate player behavior. Under our game policies, we do not allow players to sell or transfer virtual credits or virtual items, among other things, for real money or other real-world properties. Virtual credits and virtual items offered in our games have no monetary value outside of our games. Nonetheless, some of our players or third parties

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may make sales and/or purchases of our virtual credits or virtual items through unauthorized third parties in exchange for real money or other real-world properties. To our knowledge, these unauthorized transactions are usually arranged through third-party distribution or payment channels and the virtual items offered may have been obtained through unauthorized means such as through cheating or from scamming our players with fake offers of virtual items or other game benefits. We do not generate any revenue from these unauthorized transactions and do not permit, or facilitate in any manner, these unauthorized transactions. Under our game policies, we reserve the right to suspend, terminate or cancel a player's account if we find abnormal transactions or activities in the account. Notwithstanding our measures and efforts, we do not have effective control over these unauthorized transactions.

We depend on our key personnel, and our business and growth prospects may be severely disrupted if we lose their services or are unable to attract new key employees.

Our future success is heavily dependent upon the continued services of our key executive officers and other key employees. In particular, we rely on the expertise, experience and leadership ability of Mr. Wang Feng, our chief executive officer and a Founder of our business and Ms. Liao Mingxiang, our president and a Founder of our business. We also rely on a number of key technology officers and staff and our top performing game development engineers and staff for the development and operation of our games and to maintain our competitiveness.

If one or more of our key personnel are unable or unwilling to continue in their present positions, we may not be able to replace them easily or at all and may incur additional expenses to recruit and train new personnel and our business may be severely disrupted, and our financial condition and results of operations could be materially and adversely affected. In addition, if any of our executive officers or key employees joins a competitor or forms a competing company, we may lose know-how, trade secrets, suppliers, players and key professionals and staff. Furthermore, since the demand and competition for talent is intense in our industry, particularly for game development personnel and related technical personnel, we may need to offer higher compensation and other benefits in order to attract and retain key personnel in the future, which could increase our compensation expenses. We cannot assure you that we will be able to attract or retain the key personnel necessary to implement our strategies and achieve our business objectives.

We may not be able to take measures that are sufficiently effective to protect our intellectual property, which may adversely affect our business and reputation.

Our copyrights, trademarks, domain names, trade secrets and other intellectual property are important to our business operations. In relation to our self-developed games, we register software in China for copyright protection and take various measures to protect our source codes, including confidentiality agreements and limitation of access to source codes. Before we decide the title of a new game, we conduct searches on the official website of Trademark Office of the PRC to ensure it is not identical or similar to any registered trademarks or pending trademark registration applications. When we file a trademark registration application for the title of a new game, we are not able to exclude the possibility that a third party has filed an application to register the same or similar title before us because such application may not have appeared in the Trademark Office's database. We encountered one such incident during the Track Record Period. We have filed trademark registration application for *Excalibur* in class 41 in March 2012 but subsequently found out that a third-party filed an application to register the same trademark in the same class only a few days before us. While we have one of our employees filed an objection to the third party's application in March 2013 which was accepted by the Trademark Office in June 2013, the Trademark Office may not grant a ruling in our favor. If the third party's application is

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approved, we may be prohibited by the third party from using *Excalibur* thereafter and, as a result, we may need to change the title of the game. We cannot assure you that such change will not cause confusions or negatively impact our ability to attract new players to the game. Moreover, if third parties use *Excalibur* as title of other games, we may not be able to stop them and, as a result, such games may confuse our players, erode our player base and adversely affect our business, financial condition and results of operations. *Excalibur* generated approximately RMB0.1 million, RMB239.0 million, RMB68.4 million and RMB85.6 million of revenue for 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively. We cannot assure you that incidents similar to our trademark registration application for *Excalibur* will not arise in the future, and as we expand our game publishing business into South Korea and other foreign countries and regions, we may need to register copyrights, trademarks or patents, if available, in the relevant country and region to protect our intellectual property. Any failure to register copyright, trademarks or patents in any country or region may limit our ability to protect our rights in such country or region, and we may need to change the titles of our games or trademarks in certain cases, which may adversely affect our branding and marketing efforts. In addition, there may be existing games with same or similar titles as our games in countries or regions outside China. The existence of games developed by other companies with similar titles and gameplays may confuse our players, erode our player base and adversely affect our business and results of operations.

We rely on trade secrets and other intellectual property related laws and regulations for protection if third parties infringe on our unregistered intellectual property. In order to protect our technology and know-how, we rely on confidentiality provisions in relevant agreements with our employees, licensees, independent contractors and other advisors. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently develop such technology and know-how and discover proprietary information, limiting our ability to assert any trade secret rights against such parties. The validity, enforceability and scope of protection of intellectual property in Internet-related industries are uncertain and still evolving. In particular, the laws and enforcement procedures in the PRC and certain other countries where our games are accessible to local players are immature or do not protect intellectual property rights to the same extent as do the laws and enforcement procedures of the more developed countries. Policing unauthorized use of proprietary technology is difficult and expensive. Any steps we have taken to prevent the misappropriation of our proprietary technology may be inadequate. Despite our efforts to protect our intellectual property, other online game developers and operators may copy our ideas and designs, and other third parties may infringe on our intellectual property rights. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. Future litigation could result in substantial costs and diversion of our resources, disrupt our business, and have a material and adverse effect on our financial condition and results of operations.

We cannot be certain that our business operations do not or will not infringe on any patents, valid copyrights or other intellectual property rights held by third parties.

We may in the future be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we are found to have violated the intellectual property rights of others, we may be prohibited from using such intellectual property, and we may incur licensing fees or be forced to develop alternatives. We may also be subject to fines and penalties in relation to any violation of third parties' intellectual property rights. In addition, we may incur substantial expenses in defending against these third party infringement claims, regardless of their merits. Furthermore, our employees may install and use software which may violate the intellectual property rights of others. We may be liable for such behavior of our employees. Successful infringement

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or licensing claims against us may result in substantial monetary liabilities and/or prohibition from using such intellectual property, which may materially disrupt the continuity of our business and the stability of our financial situation.

We process, store and use personal information and other data, which subjects us to governmental regulation and other legal obligations related to privacy, and our actual or perceived failure to comply with such obligations could harm our business.

We receive, store and process personal information and other player data. There are numerous laws around the world regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other player data on the Internet and mobile platforms, the scope of which is changing, subject to differing interpretations, and may be inconsistent between countries or conflict with other rules. It is possible that these obligations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other rules or our practices. Any failure or perceived failure by us to comply with our privacy policies, our privacy-related obligations to players or other third parties, or our privacy-related legal obligations, or any compromise of security that results in any unauthorized release or transfer of personally identifiable information or other player data, may result in governmental enforcement actions, litigation or public statements against us by consumer advocacy groups or others and could cause our players to lose trust in us, which could have an adverse effect on our business. Additionally, if third parties we work with, such as vendors or developers, violate applicable laws or our policies, such violations may also put our players' information at risk and could in turn have an adverse effect on our business.

Discontinuation of any of the preferential tax treatments or imposition of any additional taxes could adversely affect our financial condition and results of operations.

Currently, our principal operating and income generating entities, Beijing Linekong Online, Linekong Entertainment, Shouyoutong and Tianjin 8864 qualify as "software enterprises", and are exempt from PRC enterprise income tax for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing from the first year of profitable operation after offsetting tax losses generated in prior years, under the relevant PRC laws, regulations and rules. The tax exemption period for Linekong Entertainment, Shouyoutong and Tianjin 8864 ended or will end after 2011, 2012 and 2014, respectively, and the 50% tax reduction period for Linekong Entertainment, Shouyoutong and Tianjin 8864 will end after 2014, 2015 and 2017, respectively. Beijing Linekong Online qualified as a "software enterprise" in May 2014 and the beginning and ending dates of its tax exemption and reduction period cannot be determined yet. The EIT rate for these companies will increase to the standard rate of 25% after the end of their tax reduction periods. As these principal operating and income generating entities are our principal income contributors, our effective tax rate and tax burden may increase significantly after the end of the respective tax exemption and reduction periods. We cannot assure you that there will be no additional taxes imposed on these companies or other members of our Group in the future. As a result, our tax burden may increase and our financial condition and results of operation may be adversely affected.

Discontinuation or decrease of government subsidies granted to us may adversely affect our financial position and results of operations.

We receive various industry-specific subsidies granted by local governments to support our research and development efforts from time to time. During the Track Record Period, we recorded government subsidies of RMB6.6 million, RMB4.3 million, RMB2.1 million and RMB0.3 million in 2012, 2013 and six months ended June 30, 2013 and 2014, respectively. Most of the subsidies were awarded to us by

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local government authorities in Beijing as encouragement for our development of Internet related services or products. Such government subsidies were usually awarded to medium and small-sized enterprises which engage in culture and creative industry and with restrictions as to the use of the subsidies. Typical restrictions include, but not limited to, the subsidy may only be used for the game or games specifically identified in the relevant government subsidy application and the equipment that the applicant can purchase utilizing such government subsidy. As government subsidies are granted at the full discretion of the relevant government authorities, we cannot assure you that we will continue to be eligible for government subsidies or other forms of government support, or, that if we are eligible, we will continue to enjoy the same level of subsidies. If the government subsidies or other government support we receive decrease or discontinue in the future, our financial position and results of operation may be adversely affected.

We have granted RSUs in the past and will continue to grant RSUs in the future which may have an adverse effect on our future profit. The vesting of the RSUs granted will increase the number of our Shares in circulation, which may adversely affect the market price of our Shares.

We have adopted an RSU Scheme in order to incentivize our Directors, senior management, consultants, advisors and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. As of the Latest Practicable Date, 31,276,072 RSUs were granted and outstanding pursuant to the RSU Scheme, respectively, representing approximately 8.46% of the enlarged issued share capital of the Company immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme). We are authorized to grant additional 10,885,469 RSUs under our RSU Scheme after the Listing. The fair value of the services received in exchange for the grant of RSUs is recognized as share-based compensation expenses, which have an adverse effect on our profit for the period. We recognized share-based compensation expenses of RMB43.6 million for the six months ended June 30, 2014, and assuming, among others, that no additional RSUs are granted after Listing, which is expected to take place on December 19, 2014, and that the expected retention rate of our Directors and other senior employees, and our ordinary employees, would remain at 100% and 95%, respectively, we expect to recognize share-based compensation expense of RMB119.8 million for 2014. In addition, the vesting of the RSUs we have granted will increase the number of our Shares in circulation. Any actual or perceived sales of the additional Shares acquired upon the vesting of RSUs we have granted may adversely affect the market price of our Shares.

We have issued Preferred Shares in the past, which will have an adverse effect on our profit for the year ending December 31, 2014.

We have issued four series of Preferred Shares with an aggregate number of 153,264,523 Preferred Shares, representing 51.8% of our issued share capital immediately before the Global Offering, in the past. Details of the terms of the Preferred Shares are set out in the section headed “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus. The Preferred Shares are initially recognized at fair value. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the profit or loss. We recognized fair value loss of RMB116.8 million for the six months ended June 30, 2014. Details of the accounting treatment of the Preferred Shares and the changes of the fair value of the Preferred Shares are set out in the section headed “Financial Information — Critical Accounting Policies — Preferred Shares” in this prospectus. Upon completion of the Listing, all of the Preferred Shares will be automatically converted into Shares and we expect to recognize fair value loss of Preferred Shares in the range of RMB157.2 million to RMB558.0 million in 2014 based on the Offer Price range of HK\$9.80 to HK\$13.10 per Offer Share.

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Our lack of insurance could expose us to significant costs and business disruption.

The insurance industry in the PRC is still at an early stage of development. In particular, PRC insurance companies offer limited business insurance products. We do not have any business liability or disruption insurance to cover our operations in China, which, based on public information available to us relating to online game companies based in China, is in line with customary industry practice in China. We have determined that the costs of insuring for these risks and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance. In addition, we do not maintain any insurance policies covering risks including loss and theft of and damages to our equipment or facilities other than for our motor vehicles. We also do not maintain insurance policies against risks relating to the Contractual Arrangements. Any uninsured occurrence of business disruption, litigation or natural disaster, or significant damages to our uninsured equipment or facilities could result in substantial costs and diversion of resources for us and could adversely affect our financial conditions and results of operations.

Our rights to use our leased properties could be challenged by third parties or government authorities, which may cause disruptions to our business operations.

As of the Latest Practicable Date, we leased 13 properties with a total gross floor area (“GFA”) of approximately 3,677 square meters in China. Three leased properties with GFA of approximately 3,400 square meters currently used as office space, including our largest leased property with a GFA of approximately 3,000 square meters currently used as office space for our headquarters in Beijing, have been leased from lessors who are unable to provide building ownership certificate for these properties due to reasons unknown to us. Therefore, the lessor’s ownership of the property cannot be conclusively proved and the lease agreements we entered into for these properties may be challenged if any third party appears in the future who claims to be the owner of the property. In addition, none of our leases has been registered with relevant PRC government authorities as required by PRC laws. As advised by our PRC Legal Advisor, the lack of lease registration may subject us to an administrative penalty of up to RMB10,000 for each non-registered lease.

We cannot assure you that our leasehold interests in or use of such leased properties will not be challenged by any third party or government authority in the future. In the event that our use of such properties is successfully challenged, we may be subject to fines and forced to relocate the affected operations. In addition, we may become involved in disputes with property owners or third parties who otherwise have rights to or interests in our leased properties. We cannot assure you that we will be able to find suitable replacement sites on terms acceptable to us on a timely basis, or at all, or that we will not be subject to liability resulting from third parties’ challenges on our use of such properties.

Risks Relating to Our Corporate Structure

If the PRC government finds that the agreements that establish the structure for operating our online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in Linekong Entertainment.

We are a Cayman Islands company and our wholly-owned PRC subsidiary, Beijing Linekong Online, is a foreign-invested enterprise. The PRC government restricts foreign investment in telecommunications and prohibits foreign investment in online cultural businesses. See “Regulatory Overview — Regulations on Telecommunications Services and Foreign Investment Restrictions and Regulations on Online Games and Cultural Products and Foreign Ownership Restrictions”. Due to these restrictions, we conduct our operations in China through Linekong Entertainment and its subsidiaries.

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Although we do not have any equity interest in Linekong Entertainment, we are able to exercise effective control over Linekong Entertainment and receive substantially all of the economic benefits of their operations through the Contractual Arrangements with Linekong Entertainment and its shareholders. For a description of the Contractual Arrangements, see “Contractual Arrangements.”

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the “MIIT Notice”), which reiterated restrictions on foreign investment in telecommunications businesses. Under the MIIT Notice, a domestic company that holds an ICP License is prohibited from leasing, transferring or selling the license to foreign investors in any form, and from providing any assistance, including providing resources, sites or facilities, to foreign investors to provide ICP services illegally in China. Due to a lack of interpretative materials from the authorities, we cannot assure you that the MIIT will not consider our corporate structure and the Contractual Arrangements as a kind of foreign investment in telecommunication services, in which case we may be found in violation of the MIIT Notice.

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) (the “FITE Regulations”) issued by the State Council on December 11, 2001 and amended on September 10, 2008, foreign investors’ ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas (the “Qualification Requirement”). The MIIT did not specify what constitutes “a good track record” and there are no specific written guidelines in this regard. Beijing counterpart of the MIIT stated MIIT handles the specific applications from foreign investors intending to set up a foreign-invested value-added telecommunications enterprise under the FITE Regulations. As such, our PRC Legal Advisor takes the view that the details of the Qualification Requirement are subject to the discretion of the MIIT when it handles the specific applications from foreign investors intending to set up a foreign-invested value-added telecommunications enterprise under the FITE Regulations. We have started taking steps, and plan to take additional steps, to build up our track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Linekong Entertainment when the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted. For details of such steps taken or to be taken, please refer to the section headed “Contractual Arrangements — Introduction” in this prospectus. We cannot assure you that the steps we have taken or plan to take will be ultimately sufficient to satisfy the Qualification Requirement. If the restrictions on the percentage of foreign ownership in telecommunications services and on foreign ownership in online culture products and businesses are lifted, we may be required to unwind the Contractual Arrangements before we are in a position to comply with the Qualification Requirement.

On September 28, 2009, the GAPP, the NCA and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (《關於貫徹落實國務院〈“三定”規定〉和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) (the “GAPP Online Game Notice”). The GAPP Online Game Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and

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

In or around September 2011, various media sources reported that the CSRC had prepared a report proposing regulating the use of VIE structures, such as ours, in industry sectors subject to foreign investment restrictions in China and overseas listings by China-based companies. It is unclear whether the CSRC officially issued or submitted such a report to a higher level government authority or what any such report provides, or whether any new PRC laws or regulations relating to VIE structures will be adopted or if adopted, what they would provide.

In addition, several recent articles, including an article published in early June 2013 on The New York Times and another one on The Economic Observer (經濟觀察報), reported discussions that a recent PRC Supreme Court decision and two VIE structure-related arbitration decisions in Shanghai had cast doubt on the validity of the contractual arrangements for the VIE structure. According to these articles, the PRC Supreme Court ruled in late 2012 that an entrustment agreement entered into by and between a Hong Kong company and a PRC domestic entity, which was purported to enable such Hong Kong company to make equity investment in a PRC bank through the proxy PRC domestic entity, was void on the ground that this agreement established an entrustment relationship meant to circumvent the PRC laws and regulations that prohibit foreign investment in PRC financial institutions and as such, constituted an act of concealing illegal intentions with a legitimated form. These articles argued that as the contractual arrangement in a VIE structure and the entrustment agreement in the cited case were similar in that the contractual arrangements in the VIE structure were also designed to “get around” the regulatory restrictions on foreign investment in certain industries. As such, the articles noted that this Supreme Court decision might increase the uncertainties relating to the PRC government’s view on the validity of the contractual arrangements used in the VIE structure. These articles also reported, without providing sufficient details, that two arbitration decisions by the Shanghai CIETAC which invalidated the contractual arrangements used in a VIE structure in 2010 and 2011.

Our PRC Legal Advisor, Fangda Partners, is of the opinion that (i) the ownership structure of Beijing Linekong Online and Linekong Entertainment does not violate existing PRC laws and regulations, (ii) except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration (see “— Certain terms of the Contractual Arrangements may not be enforceable under PRC laws” below), the Contractual Arrangements, taken individually or collectively, are valid and legally binding and do not result in any violation of existing PRC laws and regulations, and (iii) each of the Contractual Arrangements entered into by the Group does not fall within any of the circumstances (including, without limitation, “concealing illegal intentions with a lawful form”) under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid.

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There can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor as stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. If the PRC government or judicial authorities determines that we do not comply with applicable laws and regulations, it could have broad discretion in dealing with such non-compliance, including:

- requiring the nullification of the Contractual Arrangements;
- levying fines and/or confiscating the proceeds generated from the operations under the Contractual Arrangements;
- revocation of the business licenses or operating licenses of Linekong Entertainment, its subsidiaries and/or Beijing Linekong Online;
- discontinuing or placing restrictions or onerous conditions on the business operations of Linekong Entertainment, its subsidiaries and/or Beijing Linekong Online;
- imposing conditions or requirements which we may not be able to comply with or satisfy;
- requiring us to undergo a costly and disruptive restructuring; and
- taking other regulatory or enforcement actions that could be harmful to or even shut down our business.

The imposition of any of the above-mentioned consequences could result in a material and adverse effect on our ability to conduct our business. In addition, if the imposition of any of these consequences causes us to lose the rights to direct the activities of Linekong Entertainment or our right to receive its economic benefits, we would no longer be able to consolidate the financial results of Linekong Entertainment.

We rely on the Contractual Arrangements to control and obtain the economic benefits from Linekong Entertainment, our operating entity in China, which may not be as effective in providing operational control as direct ownership.

Due to the PRC's legal prohibition on foreign investment in online game operators, we control, through the Contractual Arrangements rather than equity ownership, of Linekong Entertainment and its subsidiaries, our operating entities in China and the holders of the key licenses required to operate our online game business in China. For a description of these Contractual Arrangements, see the section headed "Contractual Arrangements."

The Contractual Arrangements may not be as effective in exercising control over Linekong Entertainment as equity ownership. For example, Linekong Entertainment and its shareholders could breach or fail to perform their obligations under the Contractual Arrangements. If we had direct ownership of Linekong Entertainment, we would be able to exercise our rights as a shareholder to effect changes in its board of directors, which in turn could effect changes, subject to any applicable fiduciary obligations, at the management and operational level. Under the Contractual Arrangements, we would need to rely on Beijing Linekong Online's rights under the Amended and Restated Exclusive Technology Consulting and Service Agreement and Power of Attorney to effect such changes, or designate new shareholders for Linekong Entertainment under the Amended and Restated Exclusive Call Option Agreement.

Furthermore, all assets held by the shareholders of Linekong Entertainment, including their equity interests in Linekong Entertainment, may be put under court custody in connection with litigation,

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arbitration or other judicial or dispute resolution proceedings against Linekong Entertainment's shareholders. In such circumstances, we cannot be certain that the equity interest of Linekong Entertainment will be disposed of in accordance with the Contractual Arrangements.

If Linekong Entertainment or its shareholders breached their obligations under the Contractual Arrangements or if we lose the effective control over Linekong Entertainment for any reason, we would need to bring a claim against them under the terms of the Contractual Arrangements. The Contractual Arrangements are governed by the PRC law and provide that any dispute arising from these arrangements will be submitted to the China International Economic and Trade Arbitration Commission, or the CIETAC, for arbitration, the ruling of which will be final and binding. The legal framework and system in China, particularly those relating to arbitration proceedings, is not as developed as other jurisdictions such as Hong Kong or the United States. As a result, significant uncertainties relating to the enforcement of legal rights through arbitration, litigation and other legal proceedings remain in China, which could limit our ability to enforce the Contractual Arrangements and exert effective control over Linekong Entertainment. If Linekong Entertainment or any of its shareholders fails to perform their respective obligations under the Contractual Arrangements, and we are unable to enforce the Contractual Arrangements, or suffer significant delay or other obstacles in the process of enforcing the Contractual Arrangements, our business and operations could be severely disrupted, which could materially adversely affect our results of operations.

The shareholders of Linekong Entertainment may have conflicts of interest with us, which may materially and adversely affect our business.

The shareholders of Linekong Entertainment include Mr. Wang Feng, our co-founder, Chairman and Chief Executive Officer, Ms. Liao Mingxiang, our co-founder and President, and Mr. Zhang Yuyu, our co-founder. In particular, Mr. Wang Feng holds a 75.45% equity interest in Linekong Entertainment and is the sole executive director and legal representative of Linekong Entertainment. Conflicts of interest between their dual roles in our Company and in Linekong Entertainment may arise.

We have some existing protections over potential conflicts of interest between these individuals and our Company. Pursuant to the Amended and Restated Exclusive Call Option Agreement, we have the option to (i) purchase or to designate a third party to purchase the equity interests of the existing shareholders of Linekong Entertainment when and to the extent permitted by law and (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Linekong Entertainment at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Linekong Entertainment's shareholders have executed powers of attorney on the same day of the execution of the Amended and Restated Exclusive Call Option Agreement to authorize any individual(s) appointed by Beijing Linekong Online to exercise all of their rights and powers as shareholders of Linekong Entertainment. Each of the individuals appointed by Beijing Linekong Online must be one of the directors of the Company who is a PRC citizen, and cannot be Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Zhang Yuyu or any of their associates. In addition, each of our Company's directors owes a duty of loyalty and a duty of care to our Company and shareholders as a whole under Cayman Islands law.

We cannot assure you that when conflicts of interest arise, these individuals will act in the best interests of our Company or that conflicts of interest will be resolved in our favor. In the event of any such conflicts of interest, these individuals may breach or cause Linekong Entertainment to breach or refuse to renew the Contractual Arrangements that allow us to effectively control and receive economic benefits from Linekong Entertainment. If we cannot resolve any conflict of interest or dispute between us and such shareholders of Linekong Entertainment should it arise, we would have to rely on legal proceedings, which could result in disruption of our business and subject us to substantial uncertainty as

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to the outcome of any such legal proceedings. These uncertainties may impede our ability to enforce the Contractual Arrangements with Linekong Entertainment and its shareholders. If we are unable to resolve any such conflicts, or if we experience significant delays or other obstacles as a result of such conflicts, our business and operations could be severely disrupted, which could materially and adversely affect our results of operations and damage our reputation.

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

The Contractual Arrangements provide for dispute resolution by way of arbitration in accordance with the arbitration rules of the CIETAC in the PRC. The Contractual Arrangements contain provisions to the effect that the arbitral body may award remedies over the shares and/or assets of Linekong Entertainment, injunctive relief and/or winding up of Linekong Entertainment. In addition, the Contractual Arrangements contain provisions to the effect that courts in Hong Kong and the Cayman Islands are empowered to grant interim remedies in support of the arbitration pending the formation of an arbitral tribunal.

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

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

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

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of these assets, thereby hindering our ability to operate our business, which could materially and adversely affect our business, financial condition and results of operations.

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

Under the Contractual Arrangements among Beijing Linekong Online and Linekong Entertainment and its equity holders, Linekong Entertainment will transfer substantially all of their before-tax profits to Beijing Linekong Online (less any accumulated loss, working capital requirements, expenses and tax of Linekong Entertainment in a given year), which will substantially reduce Linekong Entertainment's taxable income. These arrangements and transactions are related party transactions which must be conducted on an arm's length basis under applicable PRC tax rules. In addition, under PRC laws and regulations, arrangements and transactions among related parties may generally be subject to audit or scrutiny by the PRC tax authorities within ten years after the taxable year when the arrangements or transactions are conducted. As a result, the determination of service fees and other payments to Beijing Linekong Online by Linekong Entertainment under the Contractual Arrangements may be challenged and deemed not in compliance with such tax rules. We could face material and adverse tax consequences if the PRC tax authorities determine that the Contractual Arrangements were not entered into on an arm's-length basis and therefore adjust the taxable income of Linekong Entertainment in the form of a transfer pricing adjustment which refers to the prices that one member of a group of affiliated corporation's charges to another member of the group for goods, assets, services, financing or the use of intellectual property. A transfer pricing adjustment could, among other things, result in a reduction, for PRC tax purposes, of expense deductions recorded by Linekong Entertainment, which could in turn increase Linekong Entertainment's tax liabilities. In addition, the PRC tax authorities may impose late payment fees and other penalties on Linekong Entertainment for any unpaid taxes. Our consolidated net income may be materially adversely affected if Linekong Entertainment's tax liabilities increase or if it is subject to late payment fees or other penalties.

If we exercise the option to acquire equity ownership or assets of Linekong Entertainment, the ownership transfer may subject us to substantial costs.

Pursuant to the Contractual Arrangements, Beijing Linekong Online (or its designee) has the exclusive right to purchase all or any part of the equity interests in Linekong Entertainment from its respective shareholders for a nominal price, unless the relevant government authorities request that another amount be used as the purchase price and in which case the purchase price shall be such amount. Beijing Linekong Online (or its designee) also has the exclusive right to purchase all or any part of the assets in Linekong Entertainment at the net book value of the corresponding assets or such minimum purchase price permitted under PRC laws and regulations, unless the relevant government authorities request that another amount be used as the purchase price and in which case the purchase price shall be such amount. Where the purchase price is required by the relevant government authorities to be an amount other than a nominal amount, the respective shareholders shall return the amount of purchase price they have received to Beijing Linekong Online. If such a transfer takes place, the competent tax authority may require Beijing Linekong Online to pay enterprise income tax for ownership transfer income with reference to the market value instead of the price as stipulated under the Contractual Arrangements, in which case Beijing Linekong Online may be subject to a substantial amount of tax.

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We principally rely on dividends and other distributions on equity paid by Beijing Linekong Online to fund any cash and financing requirements we may have. Any limitation on Beijing Linekong Online's ability to make payments to us could have a material adverse effect on our ability to conduct our business or financial condition.

We are a Cayman Islands holding company and conduct substantially all of our operations through Linekong Entertainment. We rely principally on dividends and other distributions on equity by Beijing Linekong Online, our wholly-owned subsidiary, for our cash requirements, including the funds to pay dividends and to service any debt we may incur or financing we may need for our operations. If Beijing Linekong Online incurs its own debt in the future, the instruments governing the debt may restrict Beijing Linekong Online's ability to pay dividends or make other distributions to us. Furthermore, under PRC laws and regulations, Beijing Linekong Online is only permitted to pay dividends out of its retained earnings, if any, determined in accordance with PRC accounting standards and regulations. Under PRC laws, Beijing Linekong Online is also required to set aside at least 10% of its after-tax profit based on PRC accounting standards each year to its general reserves until the cumulative amount of such reserves reaches 50% of its registered capital. These reserves are not distributable as cash dividends, loans or advances. Beijing Linekong Online may also allocate a portion of its after-tax profits based on PRC accounting standards, as determined by its board of directors, to its staff welfare and bonus funds, which may not be distributed to us. In addition, under the PRC Enterprise Income Tax Law and its implementation rules, dividends generated from Beijing Linekong Online's business in the PRC and payable to our Company generally will be subject to a withholding tax rate of 10%.

As a result of these and other restrictions under PRC laws and regulations, Beijing Linekong Online is restricted from transferring a portion of its assets to us as dividends, loans or advances. We cannot assure you that Beijing Linekong Online will generate sufficient earnings and cash flows in the near future to pay dividends or otherwise distribute sufficient funds to enable us to meet our obligations, pay interest and expenses or declare dividends. Any limitation on Beijing Linekong Online's ability to transfer funds to us as dividends, loans or advances could materially and adversely limit our ability to grow, make investments or acquisitions that could benefit our businesses, repay debts, pay dividends, or otherwise fund and conduct our business.

Risks Relating to Our Industry

The online game industry and related businesses in China are highly regulated. If we fail to obtain or maintain all applicable permits and approvals, our business and operations would be materially and adversely affected.

The Internet industry, including the operation of online games, in China is highly regulated by the PRC government. Various regulatory authorities of the central PRC government, such as the State Council, the MIIT, the SAIC, the MOC, the GAPP, and the Ministry of Public Security, are empowered to promulgate and implement regulations governing various aspects of the Internet and the online game industry.

We are required to obtain applicable permits or approvals from different regulatory authorities in order to provide their services. For example, an Internet content provider, (or ICP), must obtain a value-added telecommunications business operation license, or ICP License, from the MIIT or its local branches in order to engage in any commercial ICP operations within China. An online game operator must also obtain an Internet culture operation license from the MOC, an Internet publishing license from the GAPP in order to publish games through the Internet, and file the online games with the GAPP and the MOC. In addition, we are providing mobile applications to mobile device players free of charge and we do not think we need to obtain a separate operating license in addition to the ICP License, which

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Linekong Entertainment, Shouyoutong and Tianjin 8864 have already obtained. We believe this is in line with the current market practice. However, there can be no assurance that the competent authorities in the PRC share the same view or that we will not be required to apply for an operating license for our mobile applications in future. If Linekong Entertainment, Shouyoutong and/or Tianjin 8864 fail to obtain or maintain any of the required permits, approvals, or filings, or if our practice is later challenged by government authorities, they may also be subject to various penalties, including fines and the discontinuation of or restriction on our operations. Any such disruption in business operations would materially and adversely affect our financial condition and results of operations.

As the online game industry is at an early stage of development in China, new laws and regulations may be adopted in the future to address new issues that arise from time to time. If our operations do not comply with these new laws and regulations at the time they become effective, or if we fail to obtain any licenses required under these new laws and regulations, we could be subject to penalties. Also, different regulatory authorities may have different views regarding the licensing requirements for the operation of online games and related businesses. As a result, substantial uncertainties exist regarding the interpretation and implementation of current and any future PRC laws and regulations applicable to the online game industry and related businesses. While we believe that we comply in all material respects with all applicable PRC laws and regulations currently in effect, we cannot assure you that we will not be found in violation of any current or future PRC laws and regulations.

Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses, change our current business model or cease certain game features.

We issue virtual credits to players for them to exchange for virtual items to be used in our games. The issuance and use of “virtual currency” is regulated in the PRC. In January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling having implications for the use of virtual currency. To curtail online games that involve online gambling, as well as address concerns that virtual currency could be used for money laundering or illicit trade, the circular (i) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (ii) requires online game operators to impose limits on the use of virtual currency in guessing and betting games; (iii) bans the conversion of virtual currency into real currency or property; and (iv) prohibits services that enable players to transfer virtual currency to other players. In February 2007, 14 PRC regulatory authorities jointly promulgated a circular to further strengthen the oversight of Internet cafés and online games. Under the circular, the PBOC has authority to regulate virtual currency, including: (i) setting limits on the aggregate amount of virtual currency that can be issued by online game operators and the amount of virtual currency that can be purchased by an individual; (ii) stipulating that virtual currency issued by online game operators can only be used for purchasing virtual products and services within the games and not for purchasing tangible or physical products; (iii) requiring that the price for redemption of virtual currency shall not exceed the respective original purchase price; and (iv) banning the trading of virtual currency.

On June 4, 2009, the MOC and the MOFCOM jointly issued the Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網路遊戲虛擬貨幣管理工作的通知》) (the “Virtual Currency Notice”). The notice requires businesses that (i) issue online game virtual currency (in the form of prepaid cards or prepayment or prepaid card points) or (ii) offer online game virtual currency transaction services to apply for approval from the MOC through its provincial branches within three months following the date of the notice. The notice also prohibits businesses that issue online game virtual currency from providing services that would enable the trading of such virtual currency. The

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Virtual Currency Notice further provides that a single enterprise may not engage in virtual currency issuing business and virtual currency trading business at the same time. The business scope in our Network Cultural Business Permit only includes the issuance of virtual currency.

We believe we do not offer virtual currency trading services. However, we cannot assure you that the PRC regulatory authorities will not take a view contrary to ours. In that event, we may be required to cease such deemed “trading service” activities and may be subject to certain penalties, including but not limited to mandatory corrective measures and fines. The occurrence of any of the foregoing could have a material adverse effect on our business and results of operations.

In addition, the Virtual Currency Notice also prohibits online game operators from setting game features that involve the direct payment of cash or virtual currency by players for the chance to win virtual items or virtual currency based on random selection through a lucky draw, wager or lottery. The notice also prohibits game operators from issuing currency to players through means other than purchases with legal currency. In November 2013, we were found to have distributed virtual items to players based on random selection through a “lucky draw” which involved virtual tokens directly paid by players during operation of *Excalibur* and was required to correct the potentially illegal activity before December 31, 2013. Upon receiving the aforesaid notice, we immediately stopped the relevant activities and submitted the rectification report. As of the date of this Prospectus, we have not encountered any similar incidents. See “Business — Legal Compliance and Proceedings”. However, we cannot assure you that the PRC regulatory authorities will not take a view unfavorable to us and deem certain of our past, existing or future game features as prohibited by the Virtual Currency Notice in the future, thereby subjecting us to penalties, including mandatory corrective measures and fines. The occurrence of any of the foregoing could materially and adversely affect our business and results of operations.

Additional government regulations resulting from negative publicity in China regarding online games or otherwise may have a material adverse effect on our business, financial condition and results of operations.

The media in China has reported incidents of violent crimes or out-of-game illegal conducts by players allegedly provoked by, or committed in connection with, online games. In addition, there have been widespread negative media reports that focus on how online games are addictive, how excessive game playing could distract students and interfere with their education and how the content of online games could be obscene, superstitious or socially unstabilizing. Certain non-governmental organizations may also organize protests or publicity campaigns against online game companies in order to protect youth from the risk of becoming addicted to certain online games. The PRC government may decide to adopt more stringent policies to monitor the online gaming industry as a result of adverse public reaction to perceived addiction to such games, particularly by minors. In 2007, eight PRC government authorities, including the GAPP, the Ministry of Education and the MIIT, jointly issued a notice requiring all Chinese online game operators to adopt an “anti-fatigue compliance system” in an effort to curb addiction to online games by minors. Under the anti-fatigue compliance system, three hours or less of continuous play is defined to be “healthy,” three to five hours is defined to be “fatiguing,” and five hours or more is defined to be “unhealthy.” Game operators, are required to reduce the value of game benefits for minor players by half when those players reach the “fatigue” level, and to zero when they reach the “unhealthy” level. In addition, online game players in China are now required to register their identity card numbers before they can play a game. This system allows game operators to identify which players are minors. It is unclear whether these restrictions would be expanded to apply to adult players in the future. More stringent government regulations, including stricter anti-fatigue rules, could discourage players from playing our games, which could have a material adverse effect on our business, financial condition and results of operations.

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In January 2007, the Ministry of Public Security, the MOC, the MIIT and the GAPP jointly issued a circular regarding online gambling having implications for the use of virtual currency. To curtail online games that involve online gambling, as well as address concerns that virtual currency could be used for money laundering or illicit trade, the circular (i) prohibits online game operators from charging commissions in the form of virtual currency in relation to winning or losing of games; (ii) requires online game operators to impose limits on the use of virtual currency in guessing and betting games; (iii) bans the conversion of virtual currency into real currency or property; and (iv) prohibits services that enable players to transfer virtual currency to other players.

In addition, the State Administration of Taxation announced that it may tax players on the income derived from the trading of virtual currencies at the rate of 20% but it is currently unclear how the tax will be collected or if there will be any effect on our players or our business.

Furthermore, similar adverse public reactions may arise and similar government policies may be adopted in other jurisdictions where we license out our games or plan to expand our business, which could materially and adversely affect our overseas business.

The PRC government may prevent us from distributing content deemed to be inappropriate and we may be held liable for inappropriate online communications or content made by our players.

China has enacted laws and regulations governing the distribution of news, information or other content, as well as products and services, through the Internet. In the past, the PRC government has stopped the distribution of information through the Internet that it believes violates PRC laws. The MIIT, the GAPP and the MOC have promulgated regulations that prohibit games from being distributed through the Internet if the games contain content that is found to, among other things, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of China, or compromise state security or secrets. If any games we offer were deemed to violate any such content restrictions, we would not be able to obtain the necessary governmental approval and may not be able to continue offering the game, and we further could be subject to penalties, including confiscation of income, fines, suspension of business and revocation of our license for operating online games, any of which could materially and adversely affect our business, financial condition and results of operations.

We may also be subject to potential liability for the unlawful actions of our players or for content we distribute on the Internet or use for the promotion of our games that is deemed inappropriate. Our players are able to engage in highly personalized conversations when they use our in-game chatting function. We are not able to verify players' identities or the sources of all information or content made by our players in our games. Therefore, it is possible that certain players may engage in illegal, obscene or incendiary conversations that may result in a negative impact among our other players. In serious cases, certain of such information or content may be deemed unlawful under the applicable laws and regulations and government authorities may require us to discontinue or restrict certain features or services that would have led, or may lead, to such events. We may incur significant costs in investigating and defending ourselves if we find ourselves subject to penalties or claims based on the nature or content of the information improperly displayed, which may substantially and adversely affect our reputation, operations and business.

The PRC government controls virtually all Internet access in China, and the regulation and censorship of information disseminated over the Internet in China may adversely affect our business and subject us to liability for information displayed on or linked to our website.

The PRC government controls virtually all Internet access in China and may occasionally block Internet access throughout the country or in certain regions due to political concerns, in particular in

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response to, or out of concerns for, special incidents or significant events, thereby preventing people in China, including our players, from accessing the Internet and playing our games.

On May 19, 2009, the MIIT issued a circular regarding the Pre-installment of Green Dam Web Filter Software on Computers. According to this circular, commencing on July 1, 2009, all computers sold in China are required to be installed with a government-designated software, called Green Dam — Youth Escort, to block “unhealthy words or pictures.” However, according to media reports, such software may compromise the security of personal information. Given the controversy generated by this circular, the MIIT announced on June 30, 2009 that it would extend the deadline for the implementation of the circular. According to further media reports, the minister of the MIIT stated on August 13, 2009 that the PRC government will not require all computers sold in China to be installed with the filter software but that computers used in schools, Internet cafés and other public places will be required to be installed with the filter software in order to prevent young people from being harmed by unhealthy online content. It is currently unclear to what extent this circular would be implemented. If any content of our games is found by the filter software to contain “unhealthy words or pictures,” our games may be blocked by the software, and as a result players will not be able to access our games, which would have an adverse effect on our business, financial condition and results of operations.

Currently there is no law or regulation specifically governing virtual asset property rights and therefore, it is unclear what liabilities, if any, online game operators may have for virtual assets.

During the course of playing online games, some virtual assets, such as special equipment, performance-enhancing items and other features of our players’ game characters, are acquired and accumulated. Such virtual assets can be important to game players and have monetary value. In practice, virtual assets can be lost for various reasons, often through unauthorized use of the game account of one player by other players and occasionally through data loss caused by a delay of network service, a network crash or hacking activities. Currently, there is no PRC law or regulation specifically governing virtual asset property rights. As a result, there is uncertainty as to who is the legal owner of virtual assets, whether and how the ownership of virtual assets is protected by law, and whether an operator of online games such as us would have any liability to players or other interested parties (whether in contract, tort or otherwise) for the loss of virtual assets. In case of a loss of virtual assets, we may be sued by our players and held liable for damages, which may negatively affect our reputation and business, financial condition and results of operations. We cannot assure you that virtual assets related law suits will not be brought against us in the future.

Risks Relating to Conducting Business in the PRC

PRC economic, political and social conditions as well as government policies could adversely affect our business and prospects.

We conduct substantially all of our operations in the PRC. Accordingly, our business, prospects, financial condition and operating results are, to a significant degree, subject to the economic, political and legal developments of the PRC.

The PRC economy differs from other developed economies of the world in many respects, including:

- its political structure;
- the amount and degree of the PRC government involvement and control;
- growth rate and degree of development;
- level and control of capital investment and reinvestment;

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- control of foreign exchange; and
- allocation of resources.

The PRC economy has been transitioning from a centrally planned economy to a more market-oriented economy. For approximately three decades, the PRC government has implemented economic reform measures to utilize market forces in the development of the PRC economy. We cannot predict whether changes in the PRC's economic, political, social and legal conditions and policies will have any adverse effect on our current or future business, financial condition or results of operations.

In addition, many of the economic reforms carried out by the PRC government are unprecedented or experimental and are expected to be refined and improved over time. This refining and adjustment process may not necessarily have a positive effect on our operations and business development. For example, the PRC government has in the past periodically implemented a number of measures intended to slow down certain segments of the economy which the government believed to be overheating. These actions, as well as other actions and policies of the PRC government, could cause a decrease in the overall level of economic activity in the PRC and, in turn, have an adverse impact on our business and financial condition.

Fluctuations in the value of the Renminbi and other currencies may have a material adverse impact on your investment.

We generated a majority of our revenue from China that were denominated in Renminbi during the Track Record Period and most of our costs and expenses are also denominated in Renminbi, while the net proceeds from the Global Offering and any dividends we pay on our Shares will be in Hong Kong dollars. Fluctuations in the exchange rate between the Renminbi and the Hong Kong dollar or U.S. dollar will affect the relative purchasing power in Renminbi terms of the proceeds from the Global Offering. Fluctuations in the exchange rate may also cause us to incur foreign exchange losses and affect the relative value of any dividend declared and settled by our PRC subsidiary. In addition, appreciation or depreciation in the value of the Renminbi relative to the Hong Kong dollar or U.S. dollar would affect our financial results in Hong Kong dollar or U.S. dollar terms without giving effect to any underlying change in our business or results of operations.

Movements in Renminbi exchange rates are affected by, among other things, changes in political and economic conditions and China's foreign exchange regime and policy. The Renminbi has been unpegged from the U.S. dollar since July 2005 and, although the People's Bank of China regularly intervenes in the foreign exchange market to limit fluctuations in Renminbi exchange rate, the Renminbi may appreciate or depreciate significantly in value against the U.S. dollar in the medium to long term. Moreover, it is possible that the PRC authorities may lift restrictions on fluctuations in Renminbi exchange rates and lessen intervention in the foreign exchange market in the future.

The payments we received from Apple Inc.'s App Store, as a distribution channel of our mobile games, is denominated in U.S. dollars. We also generate revenue from licensing of our games in countries and regions outside China and receive licensing fee and technical service fee in foreign currencies. As a result, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollars.

There are limited hedging instruments available in China to reduce our exposure to exchange rate fluctuations between the Renminbi and other currencies. The cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. To date, we have not entered into any hedging transactions in an effort to reduce our exposure

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to foreign currency exchange risks. In any event, the availability and effectiveness of these hedges may be limited and we may not be able to hedge our exposure successfully, or at all.

The PRC government's control of foreign currency conversion may limit our foreign exchange transactions, including dividend payments on our Shares.

Currently, the Renminbi cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, we will have sufficient foreign exchange to meet our foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by us, including the payment of dividends, do not require advance approval from the SAFE, but we are required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within China that have the licenses to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by us, however, must be approved in advance by the SAFE.

Under existing foreign exchange regulations, following the completion of the Global Offering, we will be able to pay dividends in foreign currencies without prior approval from the SAFE by complying with certain procedural requirements. However, there is no assurance that these foreign exchange policies regarding payment of dividends in foreign currencies will continue in the future. In addition, any insufficiency of foreign exchange may restrict our ability to obtain sufficient foreign exchange for dividend payments to shareholders or to satisfy any other foreign exchange requirements. If we fail to obtain approval from the SAFE to convert Renminbi into any foreign exchange for any of the above purposes, our capital expenditure plans, and even our business, operating results and financial condition, may be materially and adversely affected.

PRC regulation of loans to and direct investments in PRC entities by offshore holding companies may delay or prevent us from using the proceeds of the Global Offering to make loans or additional capital contributions to our PRC subsidiary.

Any funds we transfer to Beijing Linekong Online, either as a shareholder loan or as an increase in registered capital, are subject to approval by or registration with relevant governmental authorities in China. According to the relevant PRC regulations on foreign-invested enterprises in China, capital contributions to Beijing Linekong Online are subject to the approval of the MOFCOM or its local branches and registration with other governmental authorities in China. In addition, any foreign loan procured by Beijing Linekong Online is required to be registered with the SAFE or its local branches, and Beijing Linekong Online may not procure loans which exceed the difference between its registered capital and its total investment amount as approved by the MOFCOM or its local branches. Any medium or long-term loan to be provided by us to Linekong Entertainment or its subsidiaries must be approved by the NDRC and the SAFE or its local branches. We may not obtain these government approvals or complete such registrations on a timely basis, if at all, with respect to future capital contributions or foreign loans by us to our PRC subsidiary Linekong Entertainment or its subsidiaries. If we fail to receive such approvals or complete such registration, our ability to use the proceeds of the Global Offering and to capitalize our operations in China may be negatively affected, which could adversely affect our ability to fund and expand our business.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operational Issues Concerning the Improvement of the Administration of the Payment and Settlement of Foreign Currency Capital of Foreign Invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》), or SAFE Circular 142. SAFE Circular 142 regulates the conversion by a foreign-invested

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enterprise of foreign currency into Renminbi by restricting the usage of the converted Renminbi. SAFE Circular 142 provides that any Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise may only be used for purposes within the business scope approved by PRC governmental authority and such Renminbi capital may not be used for equity investments within the PRC unless otherwise permitted by the PRC law. In addition, SAFE strengthened its oversight of the flow and use of the Renminbi capital converted from registered capital in foreign currency of a foreign-invested enterprise. The use of such Renminbi capital may not be changed without SAFE approval, and such Renminbi capital may not in any case be used to repay Renminbi loans. As a result, we are required to apply Renminbi funds converted from the net proceeds we expect to receive from the Global Offering within the business scope of Beijing Linekong Online. SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from the Global Offering or any other offering of additional equity securities to Beijing Linekong Online or invest in or acquire any other companies in the PRC. Furthermore, the SAFE promulgated SAFE Circular 59 on November 9, 2010, which tightens the regulation over settlement of net proceeds from offshore offerings. In particular, it is specifically required that any net proceeds settled from offshore offerings shall be applied in the manner described in the offering documents. The SAFE also promulgated SAFE Circular 45 in November 2011, which, among other things, restricts a foreign-invested enterprise from using Renminbi funds converted from its registered capital to provide entrusted loans or repay loans between non-financial enterprises. Violations of these circulars could result in severe monetary or other penalties. SAFE Circulars 142, 59 and 45 may significantly limit our ability to convert, transfer and use the net proceeds from the Global Offering and any offering of additional equity securities in China, which may adversely affect our business, financial condition and results of operations. Since SAFE Circular 142 has been in place for more than five years, SAFE decided to further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, and issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas (《關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) on August 4, 2014. This circular suspends the application of SAFE Circular 142 in certain areas and allows a foreign-invested enterprise registered in such areas with a business scope containing “investment” to use the RMB capital converted from foreign currency registered capital for equity investments within the PRC.

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

Substantially all of our business is conducted in China and is governed by PRC laws and regulations. Beijing Linekong Online, our PRC subsidiary, Linekong Entertainment and its subsidiaries, are located in China and subject to PRC laws and regulations. The PRC legal system is a civil law system based on written statutes, and prior court decisions have little precedential value and can only be used as a reference. Additionally, PRC written statutes are often principle-oriented and require detailed interpretations by the enforcement bodies to further apply and enforce such laws. Since 1979, the PRC legislature has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organization and governance, commercial transactions, taxation and trade, with a view to developing a comprehensive system of commercial law, including laws relating to online game development and operation. However, due to the fact that these laws and regulations have not been fully developed, and because of the limited volume of published cases and the non-binding nature of prior court decisions, interpretation of PRC laws and regulations involves a degree, sometimes a significant degree, of uncertainty. Depending on the government agency or how or by who an application or case is presented to such agency, we may receive less favorable interpretation of laws and regulations than our competitors. In addition, any litigation in China may be protracted and result in substantial costs and

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diversion of resources and management attention. All these uncertainties may limit the legal protections available to foreign investors, including you.

We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income.

Under the PRC EIT Law, which came into effect on January 1, 2008, enterprises established outside China whose “*de facto* management bodies” are located in China are considered “resident enterprises” and their global income will generally be subject to the uniform 25% corporate income tax rate. Under the Implementation Rules for the PRC EIT Law, “*de facto* management bodies” is defined as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. On April 22, 2009, the SAT issued the Notice Regarding the Determination of Chinese-Controlled Offshore Incorporated Enterprises as PRC Tax Resident Enterprises on the Basis of De Facto Management Bodies (《關於境外註冊中資控股企業依據實際管理機構標準認定為居民企業有關問題的通知》), or Circular 82. Circular 82 provides certain specific criteria for determining whether the “*de facto* management body” of a Chinese-controlled offshore-incorporated enterprise is located in China. In addition, on August 3, 2011, the SAT issued Administrative Measures on Income Taxes of Resident Enterprises Incorporated outside Mainland China and Are Controlled by Chinese Enterprises (Trial Implementation) (《境外註冊中資控股居民企業所得稅管理辦法(試行)》), or the Resident Enterprise Administrative Measures, which became effective as of September 1, 2011. The Resident Enterprise Administrative Measures clarifies certain matters relating to resident status determination, post-determination administration. However, Circular 82 and the Resident Enterprise Administrative Measures apply only to offshore enterprises controlled by PRC enterprises, not those invested in or controlled by individuals or foreign enterprises, like our company. Currently there are no further detailed rules or precedents applicable to us regarding the procedures and specific criteria for determining “*de facto* management body” for the company of our type. We do not believe we are a resident enterprise defined and regulated by the aforesaid regulation, as none of our shareholders is a PRC company or PRC corporate group. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like us. If the PRC authorities were to subsequently determine, or any future regulation provides, that we should be treated as a PRC resident enterprise, we would be subject to a 25% corporate income tax on our global income (excluding dividends from PRC subsidiaries), which may significantly increase our tax burden and could materially and adversely affect our financial condition and results of operations.

Dividends paid by us to our foreign investors and gains on the sale of our Shares may be subject to withholding taxes under PRC tax laws.

Under the PRC EIT Law and the EIT Regulations, PRC income tax at the rate of 10% is withheld from dividends paid by a PRC “resident enterprise” to investors that are “non-resident enterprises” (*i.e.*, those enterprises that do not have an establishment or place of business in the PRC, or those that have such an establishment or place of business but the relevant income of which is not effectively connected with the establishment or place of business) to the extent such dividends have their source within the PRC. Any gain realized on the transfer of shares by such enterprises is subject to 10% PRC income tax if such gain is regarded as income derived from sources within the PRC unless an applicable treaty provides otherwise. If we are deemed a PRC resident enterprise, the dividends we pay to our shareholders may be regarded as income derived from sources within the PRC and we may be required to withhold a 10% PRC withholding tax for the dividends we pay to our investors who are non-PRC enterprise shareholders, or a 20% withholding tax for the dividends we pay to our investors who are non-PRC individual shareholders, including the holders of our Shares. In addition, our non-PRC shareholders may be subject to PRC tax on

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gains realized on the sale or other disposition of our Shares, if such income is treated as sourced from within the PRC. It is unclear whether our non-PRC shareholders would be able to claim the benefits of any tax treaties between their tax residence and the PRC in the event that we are considered as a PRC resident enterprise.

The PRC government's pilot plan to replace the business tax with a VAT may subject us to pay more taxes, which could have a material adverse effect on our financial condition and results of operations.

Pursuant to the *PRC Provisional Regulations on Business Tax*, taxpayers providing taxable services falling under the category of service industry in China are required to pay a business tax at a normal tax rate of 5% of their revenues. In November 2011, the Ministry of Finance and the State Administration of Taxation promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax. Pursuant to this plan and relevant notices, from January 1, 2012, a VAT was imposed to replace the business tax in the transport and shipping industry and some of the modern service industries in certain pilot regions, including Shanghai. Under the pilot plan, a VAT rate of 6% applies to some modern service industries. Tianjin 8864 has been subject to VAT instead of business tax starting from June 2014. We do not know when VAT will become applicable to other subsidiaries of Linekong Entertainment. While we do not expect Tianjin 8864 to be subject to higher tax burden as a result of the new VAT scheme based on our understanding of the scheme, we cannot assure you that our actual tax burden will not increase in the future as a result of the new tax scheme or any new government tax policy, which could harm our financial condition and results of operations.

It may be difficult to effect service of process upon us or our Directors or executive officers who reside in China or to enforce against them in China any judgments obtained from non-PRC courts.

Our principal place of business is located in China. All of our executive Directors and executive officers reside within China, and substantially all of our assets and substantially all of the assets of those persons are located within China. Therefore, it may be difficult for investors to effect service of process upon us or those persons inside China or to enforce against us or them in China any judgments obtained from non-PRC courts.

China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts of the Cayman Islands and many other countries and regions. Therefore, recognition and enforcement in China of judgments of a court in any of these non-PRC jurisdictions in relation to any matter not subject to a binding arbitration provision may be difficult or impossible.

We may be required to obtain prior approval from the CSRC for the listing and trading of our Shares on the Stock Exchange.

On August 8, 2006, six PRC regulatory authorities, including the MOFCOM, the State Assets Supervision and Administration Commission, the State Administration for Taxation, the SAIC, the CSRC, and the SAFE, jointly issued the Regulations on Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (the "M&A Rules"), which became effective on September 8, 2006 and amended on June 22, 2009. This regulation, among other things, purports to require that an offshore special purpose vehicle formed for purposes of overseas listing of equity interests in PRC companies and controlled directly or indirectly by PRC companies or individuals obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle's securities on an overseas stock exchange. On September 21, 2006, the CSRC published procedures regarding the approval of overseas listings by special purpose vehicles. Approval from the CSRC may take several months. The application of this regulation remains unclear.

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Our PRC Legal Advisor, Fangda Partners, is of the opinion that prior CSRC approval for the Global Offering is not required because (i) there was no acquisition of the equity or assets of a “PRC domestic company” as such term is defined under the M&A Rules and (ii) there is no provision in the M&A Rules that clearly classifies the Contractual Arrangements as a type of transaction falling under the M&A Rules. As a result, we did not seek prior CSRC approval for the Global Offering. However, our PRC Legal Advisor also advised us that the relevant PRC government authorities, including the CSRC, may hold a different view from our PRC Legal Advisor. If the CSRC or other relevant PRC government authorities subsequently determine that prior CSRC approval is required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory authorities. These regulatory authorities may impose fines and penalties on our operations in the PRC, limit our operating privileges in the PRC, delay or restrict the repatriation of the proceeds from the Global Offering into the PRC or take other actions that could have a material adverse effect on our business, as well as the trading price of our Shares. The CSRC or other PRC regulatory authorities may also take actions requiring us, or making it advisable for us, to halt the Global Offering before settlement and delivery of the Shares offered by this Prospectus. Consequently, if you engage in market trading or other activities in anticipation of and prior to settlement and delivery, you do so at the risk that settlement and delivery may not occur.

Regulations relating to offshore investment activities by PRC residents may subject us or our PRC resident beneficial owners to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiary’s abilities to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiary.

SAFE promulgated the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4, 2014, which replaced the former SAFE Circular 75 promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE with regards to their direct establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing and holding such PRC residents’ legally owned assets or equity investments in domestic enterprises or offshore assets or interests (referred to as a “special purpose vehicle” in SAFE Circular 37). SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted to contribute additional capital into its PRC subsidiary. Further, failure to comply with various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

We are committed to comply with and to ensure that our shareholders who are subject to the regulations will comply with the relevant rules. To our best knowledge, all of our shareholders who were subject to the SAFE Circular 75 had registered with SAFE their respective investment in us. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37. The failure of our beneficial owners who are PRC residents to register or amend their SAFE registrations in a timely manner pursuant to SAFE Circular 37 and subsequent implementation rules, or the failure of future beneficial owners of our Company who are PRC residents to comply with the registration procedures set forth in SAFE Circular 37 and subsequent implementation rules, may subject such

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beneficial owners or our PRC subsidiary to fines and legal sanctions, including restrictions on our PRC subsidiary's abilities to pay dividends or make distributions to us and our ability to increase our investment in our PRC subsidiary. Furthermore, since SAFE Circular 37 was recently promulgated and it is unclear how this regulation, and any future regulation concerning offshore or cross-border transactions, will be interpreted, amended and implemented by the relevant government authorities, we cannot predict how these regulations will affect our business operations or future strategy.

Any failure to comply with PRC regulations regarding our employee equity incentive plans may subject the PRC plan participants or us to fines and other legal or administrative sanctions.

After our Company becomes an overseas listed company upon the completion of the Global Offering, we and our directors, executive officers and other employees who are PRC citizens or who have resided in the PRC for a continuous period of not less than one year and who have been granted restricted shares, RSUs or options will be subject to the Notice on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plan of Overseas Publicly Listed Company (《境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》), issued by SAFE in February 2012, according to which, employees, directors, supervisors and other management members participating in any stock incentive plan of an overseas publicly listed company who are PRC citizens or who are non-PRC citizens residing in China for a continuous period of not less than one year, subject to limited exceptions, are required to register with SAFE through a domestic qualified agent, which could be a PRC subsidiary of such overseas listed company, and complete certain other procedures. Failure to complete the SAFE registrations may subject them to fines and legal sanctions and may also limit the ability to make payment under our equity incentive plans or receive dividends or sales proceeds related thereto, or our ability to contribute additional capital into our wholly-foreign owned enterprises in China and limit our wholly-foreign owned enterprises' ability to distribute dividends to us. We also face regulatory uncertainties that could restrict our ability to adopt additional equity incentive plans for our directors and employees under PRC law.

In addition, the SAT has issued certain circulars with respect to the employee share options. Under these circulars, our employee working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiary has the obligation to file documents relating to the employee share options with the relevant tax authorities and to withhold individual income tax for those employees. If our employee fails to pay or we fail to withhold income tax in according to the relevant laws and regulations, we may face sanctions imposed by the governmental authorities.

The M&A Rules and certain other PRC regulations establish complex procedures for some acquisitions of Chinese companies by foreign investors, which could make it more difficult for us to pursue growth through acquisitions in China.

The M&A Rules and other regulations and rules regulating mergers and acquisitions established procedures and requirements that could make merger and acquisition activities by foreign investors time consuming and complex. For example, the M&A Rules requires that MOFCOM should be notified in advance of any transaction in which a foreign investor takes control of a PRC domestic enterprise, if (i) any important industry is involved, (ii) such transaction involves factors that have or may have impact on the national economic security, or (iii) such transaction will lead to a change in control of a domestic enterprise which holds a famous trademark or PRC time-honoured brand. Moreover, the Anti-Monopoly Law (《反壟斷法》), which was promulgated by the Standing Committee of the National People's Congress on August 30, 2007 and became effective as of August 1, 2008, requires that transactions, which are deemed concentrations and involve parties with specified turnover thresholds (i.e., during the previous fiscal year, (i) the total global turnover of all operators participating in the transaction exceeds RMB10

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billion and at least two of these operators each had a turnover of more than RMB400 million within China, or (ii) the total turnover within China of all the operators participating in the concentration exceeded RMB2 billion, and at least two of these operators each had a turnover of more than RMB400 million within China) should be notified and cleared by MOFCOM before the transactions can be completed. In addition, on February 3, 2011, the General Office of the State Council promulgated a Notice on Establishing the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《關於建立外國投資者併購境內企業安全審查制度的通知》), or Circular No. 6, which officially established a security review system for mergers and acquisitions of domestic enterprises by foreign investors. Under Circular No. 6, a security review is required for the mergers and acquisitions by foreign investors, which raise “national defense and security” concerns, and the mergers and acquisitions, by which foreign investors may acquire the “*de facto control*” of domestic enterprises and raise “national security” concerns. In August 2011, for the purpose of implementing Circular No. 6, MOFCOM promulgated the Rules on Implementation of Security Review System (《商務部實施外國投資者併購境內企業安全審查制度的規定》), (“MOFCOM Security Review Rules”), to replace the Interim Provisions of the Ministry of Commerce on Matters Relating to the Implementation of the Security Review System for Mergers and Acquisitions of Domestic Enterprises by Foreign Investors (《商務部實施外國投資者併購境內企業安全審查制度有關事項的暫行規定》), which was promulgated by MOFCOM and became effective since March 2011 and expired by the end of August 2011. The MOFCOM Security Review Rules, which became effective on September 1, 2011, explicitly provides that MOFCOM will look into the substance and actual impact of the transaction and further prohibit foreign investors from bypassing the security review requirement by structuring transactions through proxies, trusts, indirect investments, leases, loans, control through contractual arrangements or offshore transactions. In the future, we may grow our business by acquiring complementary businesses. Complying with the requirements of the abovementioned regulations and other relevant rules to complete such transactions could be time consuming, and any required approval processes, including obtaining approval from the MOFCOM or its local counterparts, may delay or inhibit our ability to complete such transactions. It is unclear whether our business would be deemed to be in an industry that raises “national defense and security” or “national security” concerns.

In addition, the MOFCOM or other government agencies may publish explanations in the future determining that our business is in an industry subject to the security review, in which case our future acquisitions in the PRC, including those by way of entering into contractual control arrangements with target entities, may be closely scrutinized or prohibited. Our ability to expand our business or maintain or expand our market share through future acquisitions would as such be materially and adversely affected.

The national and regional economies in China and our prospects may be adversely affected by natural disasters, acts of God, and occurrence of epidemics.

Our business is subject to general economic and social conditions in China. Natural disasters, epidemics and other acts of God which are beyond our control may adversely affect the economy, infrastructure and livelihood of the people in China. In addition, past occurrences of epidemics, depending on their scale, have caused different degrees of damage to the national and local economies in China. A recurrence of SARS or an outbreak of any other epidemics in China, such as the avian flu or the human swine flu, especially in the cities where we have operations, may result in material disruptions to our game development business, which in turn may adversely affect our financial condition and results of operations.

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Risks Relating to the Global Offering

There has been no prior public market for our Shares and the liquidity, market price and trading volume of our Shares may be volatile.

Prior to the Global Offering, there was no public market for our Shares. The initial issue price range for our Shares will be the result of negotiations among us and the Joint Global Coordinators on behalf of the Underwriters, and the Offer Price may differ significantly from the market price for our Shares following the Global Offering. We have applied for the listing of, and permission to deal in, our Shares on the Stock Exchange. A listing on the Stock Exchange, however, does not guarantee that an active trading market for our Shares will develop or, if it does, that it will sustain or that the market price of our Shares will not decline significantly following the Global Offering. Furthermore, the liquidity, the price and trading volume of our Shares may be volatile, which may be subject to a number of factors, including but not limited to:

- actual or anticipated fluctuations in our results of operations;
- releases of new and popular online games by us or our competitors;
- restrictive regulations or limitations imposed on our industry by relevant authorities;
- recruitments or losses of key personnel by us or our competitors;
- announcements of competitive developments, acquisitions or strategic alliances in our industry;
- changes in earnings estimates or recommendations by securities analysts;
- actual or potential litigation or regulatory investigations; and
- general economic and market conditions or other developments affecting us and our industry.

In addition, stock markets and the shares of other China-based companies listed on the Stock Exchange have from time to time experienced significant price and volume fluctuations that are not related or disproportionate to the operating performance of such companies. These broad market fluctuations may also materially and adversely affect the market price of our Shares.

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

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

Future sales or a major divestment of Shares by any of our Controlling Shareholders and Pre-IPO Investors could adversely affect the prevailing market price of our Shares.

The future sale of a significant number of our Shares in the public market after the Global Offering, or the possibility of such sales, by our Controlling Shareholders and Pre-IPO Investors, could adversely affect the market price of our Shares and could materially impair our future ability to raise capital through offerings of our Shares. Although our Controlling Shareholders and Pre-IPO Investors have agreed to a lock-up of their Shares, any major disposal of our Shares by any of our Controlling

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Shareholders and Pre-IPO Investors upon expiration of the relevant lock-up periods (or the perception that these disposals may occur) may cause the prevailing market price of our Shares to fall which could negatively impact our ability to raise equity capital in the future.

You may experience difficulties in enforcing your shareholder rights because we are incorporated in the Cayman Islands; Cayman Islands law is different from the law of Hong Kong and other jurisdictions and may not provide the same protections to minority shareholders.

We are an exempted company incorporated in the Cayman Islands with limited liability, and the law of the Cayman Islands differs in some respects from that of Hong Kong or other jurisdictions where investors may be located.

Our corporate affairs are governed by our memorandum and articles of association, the Cayman Islands Company Law and the common law of the Cayman Islands. The rights of shareholders to take legal action against us and our Directors, actions by minority shareholders and the fiduciary responsibilities of our Directors to us under Cayman Islands law are to a large extent governed by the common law of the Cayman Islands. The common law of the Cayman Islands is derived in part from comparatively limited judicial precedent in the Cayman Islands as well as from English common law, which has persuasive but not binding authority on a court in the Cayman Islands. The rights of our Shareholders and the fiduciary responsibilities of our Directors under Cayman Islands law may not be as clearly established as they would be under statutes or judicial precedents in Hong Kong, the United States or other jurisdictions where investors may be located. In particular, the Cayman Islands has a less developed body of securities law.

As a result, our Shareholders may have more difficulty in protecting their interests in the face of actions taken by our management, Directors or major Shareholders than they would as shareholders of a Hong Kong company, a United States company or companies incorporated in other jurisdictions. For example, the Cayman Islands does not have a statutory equivalent of sections 722 to 726 of the Companies Ordinance, which provides a remedy for shareholders who have been unfairly prejudiced by the conduct of the company's affairs.

There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources, including the industry expert report, contained in this Prospectus.

Certain facts, forecasts and other statistics relating to China and other countries and regions and the online game and mobile game market in China contained in this Prospectus have been derived from various government publications, market data providers and other independent third-party sources, including Analysys International, an independent industry expert, and generally are believed to be reliable. However, we cannot guarantee the accuracy and completeness of such information. These facts, forecasts and other statistics have not been independently verified by us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, their respective directors and advisers or any other parties involved in the Global Offering and none of them make any representation as to the correctness, accuracy or completeness of such information. Furthermore, such facts, forecasts and other statistics may not be prepared on a comparable basis or may not be consistent with other information compiled within or outside China. For these reasons, you should not place undue reliance on such information as a basis for making your investment in our Shares.

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

In preparation for the Global Offering, our Company has sought the following waivers from strict compliance with the relevant provisions of the GEM Listing Rules and exemption from strict compliance with the relevant provisions of the Companies (Winding Up and Miscellaneous Provisions) Ordinance.

WAIVER IN RELATION TO OUR JOINT COMPANY SECRETARY

Pursuant to Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules, the secretary of our Company must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Stock Exchange, capable of discharging the functions of company secretary.

Our Company has appointed Mr. Mao Zhihai (毛智海), as one of the joint company secretaries. Mr. Mao joined our Group as the Chief Financial Officer on January 10, 2014 and was appointed as an executive Director on January 27, 2014. He is primarily responsible for overseeing the management of finance and investment of our Group. Mr. Mao has over 11 years of experience in accounting and corporate finance. Prior to joining our Group, Mr. Mao worked at Deloitte & Touche LLP, USA, in Washington DC, from July 2003 to March 2006, and Deloitte & Touche Tohmatsu CPA, Ltd. Beijing Branch, as a senior auditor from August 2006 to December 2007. From January 2008 to October 2010, Mr. Mao served at China TransInfo Technology Corp., a company previously listed on Nasdaq Stock Market (NASDAQ: CTFO) before its privatization in November 2012, as the Chief Financial Officer. From December 2010 to December 2013, Mr. Mao worked for two other investment companies and was mainly responsible for financial and investment related matters. From November 2010 to August 2014, he served as an independent director at China Shengda Packaging Group, Inc., a company listed on Nasdaq Stock Market (NASDAQ: CPGI). Mr. Mao obtained a master degree in accounting from University of North Carolina at Chapel Hill in May 2003. Mr. Mao is a U.S. certified public accountant licensed in the State of Virginia since February 2006. However, Mr. Mao does not possess the qualification and sufficient relevant experience as stipulated in the Notes to Rule 5.14 of the GEM Listing Rules and may not be able to solely fulfill the requirements as stipulated under Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules. As such, our Company has appointed and engaged Ms. Lam Wai Yee Sophie, who possesses the requisite qualification and experience as required under Rule 5.14 of the GEM Listing Rules, to act as another joint company secretary of our Company to ensure that Mr. Mao would be able to acquire the necessary experience to satisfy the requirements of Rule 5.14 of the GEM Listing Rules. Both Mr. Mao and Ms. Lam, as joint company secretaries, will jointly discharge the duties and responsibilities with reference to their past experience and education background.

Moreover, we have taken, or will take, steps in ensuring Mr. Mao will receive the appropriate training in order to enable Mr. Mao to familiarize himself with the GEM Listing Rules and other relevant rules and regulations in Hong Kong. Mr. Mao has confirmed that he will be attending a total of no less than 15 hours of training courses on the GEM Listing Rules, corporate governance, information disclosure, investors relation as well as the functions and duties of the company secretary of a Hong Kong listed issuer during each financial year as required under Rule 5.15 of the GEM Listing Rules. Mr. Mao will also be advised by the PRC and Hong Kong legal advisors of our Company if and when necessary.

Given Mr. Mao's qualification and past experience, it is anticipated that Mr. Mao will gain experience with the assistance of Ms. Lam. It is intended that a further evaluation of the qualification and experience of Mr. Mao and the need for on-going assistance would be made three years after our Listing. The expectation is that we and Mr. Mao would then endeavor to demonstrate to the Stock Exchange's

WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE

satisfaction that Mr. Mao having had the benefit of Ms. Lam's assistance, would then have acquired the "relevant experience" within the meaning of Rule 5.14 of the GEM Listing Rules such that a further waiver may not be required.

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver from strict compliance with Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules in respect of the appointment of Mr. Mao as one of the joint company secretaries. In the initial three years from the Listing Date, Mr. Mao is to work closely with Ms. Lam, who will provide assistance to Mr. Mao in the discharge of his duty as company secretary. The waiver will be revoked immediately if Ms. Lam ceases to provide assistance and guidance to Mr. Mao during the initial three years from the Listing Date.

WAIVER IN RELATION TO CONTINUING CONNECTED TRANSACTIONS

We have entered into, and are expected to continue, certain transactions which will constitute non-exempt continuing connected transactions of our Company under the GEM Listing Rules upon Listing. Accordingly, we have applied to the Stock Exchange for, and the Stock Exchange has granted, waivers in relation to certain continuing connected transactions between us and certain connected persons under Chapter 20 of the GEM Listing Rules. For further details in this respect, see the section headed "Connected Transactions" in this prospectus.

EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP AND MISCELLANEOUS PROVISIONS) ORDINANCE IN RELATION TO THE RSU SCHEME

Under paragraph 27 of Appendix 1A to the GEM Listing Rules, we are required to disclose in this prospectus particulars of any capital of any member of our Group which is under option, or agreed conditionally or unconditionally to be put under option, including the consideration for which the option was or will be granted and the price and duration of the option, and the name and address of the grantee, or an appropriate negative statement. In addition, under paragraph 27 of Appendix 1A to the GEM Listing Rules, where options have been granted to participants under a share option scheme, it is not necessary to disclose the names and addresses of the grantees of the option.

Under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, we are required to disclose in this prospectus details of the number, description and amount of Shares which a person has, or is entitled to be given, an option to subscribe for, together with certain particulars of each option, namely the period during which it is exercisable, the price to be paid for Shares subscribed for under it, the consideration (if any) given or to be given for it or for the right to it, and the names and addresses of the persons to whom it or the right to it was given.

The term "option" is not defined under the Companies (Winding Up and Miscellaneous Provisions) Ordinance. Based on the literal and general interpretation of the term, an "option" is a right granted to a person to engage in a future transaction and in the context of paragraph 10 of Part I to the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the future transaction is to "subscribe for" shares or debentures. As the RSU gives a participant in the RSU Scheme (the "**RSU Participant**") a conditional right when the RSU vests to acquire Shares, the RSU is an option under paragraph 10 of Part I to the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance. In addition, paragraph 38 of Part III to the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance provides that the meaning of "option to subscribe for" as referred to in paragraph 10 of Part I to the Third Schedule to the Companies (Winding Up and

**WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND
EXEMPTION FROM COMPLIANCE WITH THE COMPANIES (WINDING UP
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Miscellaneous Provisions) Ordinance shall include options acquired from a person to whom they have been allotted or agreed to be allotted with a view to his offering them for sale. All Shares underlying the RSUs granted and to be granted under the RSU Scheme are held by the RSU Nominee on trust for the benefit of eligible participants pursuant to the RSU Scheme. Upon the exercise of the vested RSUs by the relevant RSU Participant, the RSU Nominee shall transfer such Shares underlying the RSUs allotted and issued to it to the relevant RSU Participant at a pre-determined exercise price, which amount shall be determined by our Board at its absolute discretion and shall be stated in the grant letter to the relevant RSU Participant. Accordingly, the exercising of the RSUs would fall within the meaning of paragraph 38 of Part III to the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, as the RSU Nominee were allotted with all the Shares underlying the RSUs granted and to be granted under the RSU Scheme with a view to the RSU Nominee transferring or selling to the RSU Participant the relevant underlying Shares upon the exercise of the relevant RSUs at a pre-determined exercise price as determined by our Board.

On March 21, 2014, 31,371,494 RSUs have been granted under the RSU Scheme (representing approximately 10.60% of the issued share capital of the Company immediately prior to the Global Offering and 8.48% of the enlarged issued share capital of the Company immediately after completion of the Global Offering). As a result of four grantees of the RSUs leaving employment, their RSUs involving 95,422 Shares have lapsed. Therefore, as of the date of this prospectus, the outstanding RSUs granted under the RSU Scheme involve 31,276,072 Shares (representing approximately 10.57% of the issued share capital of our Company immediately prior to the Global Offering and 8.46% of the enlarged issued share capital of our Company immediately after completion of the Global Offering). These outstanding RSUs are granted to a total of 85 grantees. Except for those grantees who are directors of our Company and members of the senior management of our Group as disclosed in the section headed “Statutory and General Information — Share Incentive Schemes — 1. RSU Scheme and 2. Details of the RSUs granted and outstanding under the RSU Scheme” in Appendix IV to this prospectus, no RSUs have been granted to any director of our Company or member of senior management of our Group.

Under section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, subject to any conditions imposed by SFC, a company can be exempted from any or all of the relevant provisions if, having regard to the circumstances, the SFC considers that the exemption will not prejudice the interest of the investing public and compliance would be irrelevant or unduly burdensome or is otherwise unnecessary or inappropriate.

We have applied to the SFC for an exemption from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the information of the RSUs granted under the RSU Scheme on the ground that full compliance with such disclosure requirements in setting out the names and addresses of, and the number of RSUs granted under the RSU Scheme to, employees of our Group and who are neither directors of our Company nor members of senior management of our Group would be unduly burdensome for our Company and the exemption would not prejudice the interest of the investing public for the following reasons:

- (a) full details of all RSUs granted by the Company under the RSU Scheme to three executive directors and six other members of the senior management of the Group (representing approximately 82.1% of all RSUs granted), including all the particulars required under paragraph 27 of Appendix 1A to the GEM Listing Rules and paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are

**WAIVERS FROM COMPLIANCE WITH THE GEM LISTING RULES AND
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AND MISCELLANEOUS PROVISIONS) ORDINANCE**

disclosed in the prospectus and the details of the remaining RSUs granted, which only represent approximately 17.9% of all RSUs granted, do not constitute material information and non-disclosure of the same does not prevent potential investors from making an informed assessment of the Company's activities, assets and liabilities, financial position, management and prospects;

- (b) non-compliance with the requirements of disclosing the names and addresses of the 76 other employees (none of them being a director of the Company or a member of senior management of the Group) does not prevent our Company from providing an informed assessment of our Company's activities, assets and liabilities, financial position, management and prospects to its potential investors; and
- (c) the important information, that is, the total number of RSUs granted and the vesting period, is disclosed in this prospectus and such information, together with other information contained in this prospectus regarding the RSU Scheme, provides potential investors with sufficient information to make a relevant assessment of our Company in their investment decision-making process.

The SFC has agreed to grant an exemption (pursuant to section 342A(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance on the following conditions:

- (a) full details of all RSUs granted by our Company under the RSU Scheme to directors of our Company and senior management of our Group (representing approximately 82.1% of all RSUs granted) on an individual basis, including all the particulars required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance are disclosed in this prospectus;
- (b) in respect of the RSUs granted by our Company under the RSU Scheme, other than those referred to in sub-paragraph (a) above, the following details are disclosed in this prospectus;
 - (i) the aggregate number of grantees of RSUs under the RSU Scheme;
 - (ii) the aggregate number of underlying Shares in respect of the RSUs granted and the percentage to the Company's total issued share capital represented by them;
 - (iii) the consideration paid for the grant of the RSUs; and
 - (iv) the vesting period, the exercise period and the exercise price of such RSUs;
- (c) a full list of all the grantees who have been granted RSUs under the RSU Scheme, containing all the details as required under paragraph 10 of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, will be made available for inspection by the public as one of the documents available for inspection in accordance with the section headed "Documents Delivered to the Registrar of Companies and Available for Inspection — Documents Available for Inspection" in Appendix V to this prospectus; and
- (d) the particulars of this exemption are set out in this prospectus.

For further details of the RSU Scheme, please refer to the section headed "Statutory and General Information — Share Incentive Schemes — RSU Scheme" in Appendix IV to this prospectus.

The Directors believe that, in considering the above conditions undertaken by our Company, the granting of exemption by the SFC will not prejudice the interest of public investors.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

This prospectus includes particulars given in compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules (Chapter 571V of the Laws of Hong Kong) (as amended) and the GEM Listing Rules for the purpose of giving information to the public with regard to our Group. Our Directors collectively and individually accept full responsibility for the accuracy of the information contained in this prospectus. Our Directors confirm, having made all reasonable enquiries, that, to the best of their knowledge and belief, the information contained in this prospectus is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in this prospectus misleading.

THE HONG KONG PUBLIC OFFERING AND THIS PROSPECTUS

This prospectus is published solely in connection with the Hong Kong Public Offering, which forms part of the Global Offering. For applicants under the Hong Kong Public Offering, this prospectus and the Application Forms set out the terms and conditions of the Hong Kong Public Offering.

The Offer Shares are offered solely on the basis of the information contained and representations made in this prospectus and the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, employees or advisors or any other party involved in the Global Offering.

Neither the delivery of this prospectus nor any offering, sale or delivery made in connection with the Offer Shares should, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in our affairs since the date of this prospectus or imply that the information contained in this prospectus is correct as of any date subsequent to the date of this prospectus.

OFFER SHARES FULLY UNDERWRITTEN

The Listing is sponsored by the Joint Sponsors. The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) agreeing on the Offer Price. An International Underwriting Agreement relating to the International Offering is expected to be entered into on or around December 12, 2014, subject to the Offer Price being agreed. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into. The Global Offering is managed by the Joint Global Coordinators.

If, for any reason, the Offer Price is not agreed among us and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters), the Global Offering will not proceed and will lapse. For full information about the Underwriters and the underwriting arrangements, please see the section headed "Underwriting" in this prospectus.

PROCEDURES FOR APPLICATION FOR HONG KONG OFFER SHARES

The procedures for applying for Hong Kong Offer Shares is set out in the section entitled "How to Apply for Hong Kong Offer Shares" and on the relevant Application Forms.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

STRUCTURE OF THE GLOBAL OFFERING

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering” in this prospectus.

OVER-ALLOTMENT OPTION AND STABILIZATION

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

RESTRICTIONS ON OFFER OF THE OFFER SHARES

Each person acquiring the Hong Kong Offer Shares under the Hong Kong Public Offering will be required to, or be deemed by his acquisition of Offer Shares to, confirm that he is aware of the restrictions on offers of the Offer Shares described in this prospectus.

No action has been taken to permit a public offering of the Offer Shares in any jurisdiction other than in Hong Kong, or the distribution of this prospectus and/or Application Forms in any jurisdiction other than Hong Kong. Accordingly, this prospectus and/or Application Forms may not be used for the purpose of, and does not constitute an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.

APPLICATION FOR LISTING ON GEM

We have applied to the Listing Division for the granting of the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering (including any additional Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme) on GEM.

Under section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, if the permission for the Shares to be listed on GEM pursuant to this prospectus has been refused before the expiration of three weeks from the date of the closing of the Global Offering or such longer period not exceeding six weeks as may, within the said three weeks, be notified to our Company for permission by or on behalf of the Stock Exchange, then any allotment made on an application in pursuance of this prospectus shall, whenever made, be void.

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of Listing and at all times thereafter, our Company must maintain the “minimum prescribed percentage” of 25% of the issued share capital of our Company in the hands of the public (as defined in the GEM Listing Rules) without taking into account any Shares that may be issued pursuant to the options which may be granted under the Share Option Scheme.

Save as disclosed in this prospectus, no part of our Company’s share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on Friday, December 19, 2014. The Shares will be traded in board lots of 500 Shares each. The GEM stock code of the Shares will be 8267.

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, our Shares and we comply with the stock admission requirements of HKSCC, our Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or any other date as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangement as such arrangements may affect their rights and interests. All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

REGISTER OF MEMBERS AND STAMP DUTY

Our Company's principal register of members will be maintained by our principal registrar, Offshore Incorporations (Cayman) Limited, in the Cayman Islands and our Company's Hong Kong register of members will be maintained by our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited, in Hong Kong. Unless the Directors otherwise agree, all transfer and other documents of title of Shares must be lodged for registration with and registered by the Hong Kong Share Registrar and may not be lodged in the Cayman Islands.

All Offer Shares will be registered on the Hong Kong register of members of our Company in Hong Kong. Dealings in the Shares registered on our Hong Kong register of members will be subject to Hong Kong stamp duty. The stamp duty is charged to each of the seller and purchaser at the ad valorem rate of 0.1% of the consideration for, or (if greater) the value of, the Shares transferred. In other words, a total of 0.2% is currently payable on a typical sale and purchase transaction of the Shares. In addition, a fixed duty of HK\$5 is charged on each instrument of transfer (if required).

PROFESSIONAL TAX ADVICE RECOMMENDED

Potential investors in the Global Offering are recommended to consult their professional advisors if they are in any doubt as to the taxation implications of subscribing for, purchasing, holding or disposal of, and dealing in our Shares (or exercising rights attached to them). None of us, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any of their respective directors or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to, our Shares.

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi amounts into Hong Kong dollars, of Renminbi amounts into U.S. dollars and of Hong Kong dollars into U.S. dollars at specified rates.

Unless we indicate otherwise, the translation of Renminbi into Hong Kong dollars, of Renminbi into U.S. dollars and of Hong Kong dollars into U.S. dollars, and vice versa, in this prospectus was made at the following rate:

RMB0.79139 to HK\$1.00 (being the prevailing exchange rate on December 1, 2014 set by the People's Bank of China)

HK\$7.7548 to US\$1.00 (being the noon buying rate in the City of New York for cable transfers as certified by the Federal Reserve Bank of New York on November 28, 2014)

INFORMATION ABOUT THIS PROSPECTUS AND THE GLOBAL OFFERING

No representation is made that any amounts in Renminbi, Hong Kong dollars or U.S. dollars can be or could have been at the relevant dates converted at the above rates or any other rates or at all.

LANGUAGE

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, this prospectus shall prevail. Translated English names of Chinese laws and regulations, governmental authorities, departments, entities (including certain of our subsidiaries), institutions, natural persons, facilities, certificates, titles and the like included in this prospectus and for which no official English translation exists are unofficial translations for identification purposes only. In the event of any inconsistency, the Chinese name prevails.

ROUNDING

Unless otherwise stated, all the numerical figures are rounded to one decimal place. Any discrepancies in any table or chart between totals and sums of amounts listed therein are due to rounding.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

DIRECTORS

<u>Name</u>	<u>Residential Address</u>	<u>Nationality</u>
<i>Executive Directors</i>		
Wang Feng (王峰) <i>Chairman and Chief Executive Officer</i>	Room 1502, Unit C, Building 305 Hua Ding Shi Jia, Wang Jing Chaoyang District Beijing, PRC	Chinese
Liao Mingxiang (廖明香) <i>President</i>	Room 1001, Building 7 East Zone I, Tiantongyuan Changping District Beijing, PRC	Chinese
Mao Zhihai (毛智海) <i>Chief Financial Officer and Joint Company Secretary</i>	No. 801, Unit 2, Courtyard 134 Building 1, Shifoyingdongli Chaoyang District Beijing, PRC	Chinese
<i>Non-executive Director</i>		
Qian Zhonghua (錢中華)	Room 17A, Unit 1, Building 2, Shijixinjingyuan, No.9 Beiwa Road, Haidian District, Beijing	Chinese
<i>Independent Non-executive Directors</i>		
Ma Ji (馬驥)	Room 2202, Building 1 Hengchang Garden Xuanwu District Beijing, PRC	Chinese
Chen Tong (陳彤)	Room 0658, Building 7, Guangda Garden, No.2 Wanliuquanzong Road, Haidian District, Beijing	Chinese
Zhang Xiangdong (張向東)	54 Dongsì Sitiao Dongcheng District Beijing, PRC	Chinese

Further information about the Directors and other senior management members are set out in the section headed “Directors and Senior Management” in this prospectus.

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

PARTIES INVOLVED

Joint Sponsors

Citigroup Global Markets Asia Limited

50/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

Joint Global Coordinators

Citigroup Global Markets Asia Limited

50/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Joint Bookrunners and Joint Lead Managers

Hong Kong Public Offering

Citigroup Global Markets Asia Limited

50/F, Citibank Tower
Citibank Plaza
3 Garden Road
Central
Hong Kong

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

International Offering

Citigroup Global Markets Limited

Citigroup Centre
33 Canada Square
Canary Wharf
London E14 5LB
United Kingdom

Macquarie Capital Securities Limited

Level 18, One International Finance Centre
1 Harbour View Street
Central
Hong Kong

CCB International Capital Limited

12/F, CCB Tower
3 Connaught Road Central
Central
Hong Kong

Reporting Accountant

PricewaterhouseCoopers

Certified Public Accountants
22/F, Prince's Building
Central
Hong Kong

Legal Advisors to the Company

As to Hong Kong and U.S. laws:

Simpson Thacher & Bartlett

ICBC Tower, 35/F
3 Garden Road
Central
Hong Kong

As to PRC law:

Fangda Partners

21/F, China World Tower
No.1 Jian Guo Men Wai Avenue
Chaoyang District
Beijing
China

DIRECTORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING

	<p><i>As to Cayman Islands law:</i></p> <p>Maples and Calder 53rd Floor, The Center 99 Queen's Road Central Hong Kong</p>
Legal Advisors to the Joint Sponsors and Underwriters	<p><i>As to Hong Kong and U.S. laws:</i></p> <p>Davis Polk & Wardwell The Hong Kong Club Building 3A Chater Road Hong Kong</p> <p><i>As to PRC law:</i></p> <p>Global Law Office 15/F, China Central Place No.81 Jian Guo Road Chaoyang District Beijing China</p>
Industry Consultant	<p>Analysys International Block D, Wangjing Tower No. 18 Wanghua Xili Chaoyang District Beijing, 100102 PRC</p>
Compliance Advisor	<p>REORIENT Financial Markets Limited 1102-03, 11/F, Far East Finance Centre 16 Harcourt Road Admiralty Hong Kong</p>
Receiving Banks	<p>Standard Chartered Bank (Hong Kong) Limited 15/F Standard Chartered Tower 388 Kwun Tong Road Kowloon Hong Kong</p> <p>Bank of Communications Co., Ltd. Hong Kong Branch 20 Pedder Street Central Hong Kong</p>

CORPORATE INFORMATION

Registered Office	Floor 4, Willow House Cricket Square P.O. Box 2804 Grand Cayman KY1-1112 Cayman Islands
Headquarters and Principal Place of Business in the PRC	8/F, Qiming International Mansion Wangjing North Road Chaoyang District Beijing PRC
Principal Place of Business in Hong Kong	18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Company's Website	www.linekong.com <i>(The information on the website does not form part of this prospectus)</i>
Joint Company Secretaries	Mr. Mao Zhihai (毛智海) 8/F, Qiming International Mansion Wangjing North Road Chaoyang District Beijing PRC Ms. Lam Wai Yee Sophie (林慧怡), <i>FCIS, FCS</i> 18/F, Tesbury Centre 28 Queen's Road East Wanchai Hong Kong
Compliance Officer	Mr. Mao Zhihai (毛智海) 8/F, Qiming International Mansion Wangjing North Road Chaoyang District Beijing PRC
Authorized Representatives	Ms. Liao Mingxiang (廖明香) 8/F, Qiming International Mansion Wangjing North Road Chaoyang District Beijing PRC

CORPORATE INFORMATION

	Mr. Mao Zhihai (毛智海) 8/F, Qiming International Mansion Wangjing North Road Chaoyang District Beijing PRC
Audit Committee	Mr. Ma Ji (馬驥) (<i>Chairman</i>) Mr. Chen Tong (陳彤) Mr. Zhang Xiangdong (張向東)
Remuneration Committee	Mr. Zhang Xiangdong (張向東) (<i>Chairman</i>) Mr. Wang Feng (王峰) Ms. Liao Mingxiang (廖明香) Mr. Ma Ji (馬驥) Mr. Chen Tong (陳彤)
Nomination Committee	Mr. Wang Feng (王峰) (<i>Chairman</i>) Mr. Qian Zhonghua (錢中華) Mr. Ma Ji (馬驥) Mr. Zhang Xiangdong (張向東) Mr. Chen Tong (陳彤)
Cayman Islands Principal Share Registrar and Transfer Agent	Offshore Incorporations (Cayman) Limited Floor 4, Willow House Cricket Square P.O. Box 2804 Grand Cayman KY1-1112 Cayman Islands
Hong Kong Share Registrar	Computershare Hong Kong Investor Services Limited Shops 1712-1716, 17th Floor Hopewell Centre 183 Queen's Road East Wanchai Hong Kong

CORPORATE INFORMATION

Principal Banks

Pingan Bank Co., Ltd., Offshore Banking
Department
11/F,
No. 5047 Shennan Dong Road
Shenzhen, PRC

CITIC Bank, Beijing Wangjing Sub-branch
1/F, Block B, Zhongyun Building
208 Lizezhong'er Road
Chaoyang District
Beijing, PRC

China Merchants Bank, Beijing Datun Road
Sub-branch
1-4-1, Huayuan Guanjun Cheng,
66 Nanshatan, Datun Road
Chaoyang District
Beijing, PRC

Industrial and Commercial Bank of China
Tianjin Xiyuan Sub-branch
Room 102, No. 2 Rongyuan Road
Huayuan Industrial Area
Tianjin, PRC

INDUSTRY OVERVIEW

The information and statistics set forth in this section and elsewhere in this prospectus have been derived from an industry report commissioned by us and independently prepared by Analysys International in connection with the Global Offering, or the Analysys Report, and other official and government publications and publicly available market research sources. We believe that the sources of such information and statistics are appropriate and have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information and statistics are false or misleading in any material respect or that any fact has been omitted that would render such information false or misleading in any material respect. None of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or any of our or their respective directors, officers, representatives, affiliates or advisers have independently verified such information and statistics. Accordingly, none of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers, the Underwriters, any other party involved in the Global Offering or any of our or their respective directors, officers, representatives, affiliates or advisers makes any representation as to the correctness, accuracy and completeness of such information and the statistics contained in this prospectus, which may be inconsistent with the other information complied within or outside the PRC by third parties. For the above reasons, information contained in this section shall not be unduly relied upon. Our Directors confirm that, after taking reasonable care, there is no adverse change in the market information since the date of the Analysys Report, which may qualify, contradict or have an impact on the information as disclosed in this section.

SOURCE OF INFORMATION

We have extracted and derived certain information and statistics on China's Internet and online game industry from various governmental and other publicly available sources, including China Internet Network Information Center ("CNNIC"). In addition, we have commissioned Analysys International, an independent third party and a PRC-based Internet market research institution, to prepare the Analysys Report dated October 10, 2014 on online game market and industry in China for use in this prospectus. Analysys International prepared the Analysys Report based on its self-developed analysis methods and data, as well as data it collected from various sources. We have agreed to pay a fee of RMB350,000 to Analysys International in connection with its preparation of the Analysys Report. Our payment of such fee is not contingent upon the results of the report or the analysis therein.

CNNIC

CNNIC is a research institution operated by the PRC government, and we are of the view that statistics provided by CNNIC are reliable. Since 1997, CNNIC has published 34 Statistical Reports on Internet Development in China. The main research methods include: (i) Internet-user survey via a Computer-Assisted Telephone Interviewing (CATI) system; (ii) enterprise survey via telephone calls, which employs stratified random sampling, using economic census data as the basis to determine sample quantity per province and conducting random sampling based on corporate yellow page data; and (iii) online survey among active Internet users via the CNNIC website and certain other large websites in China.

Analysys Report

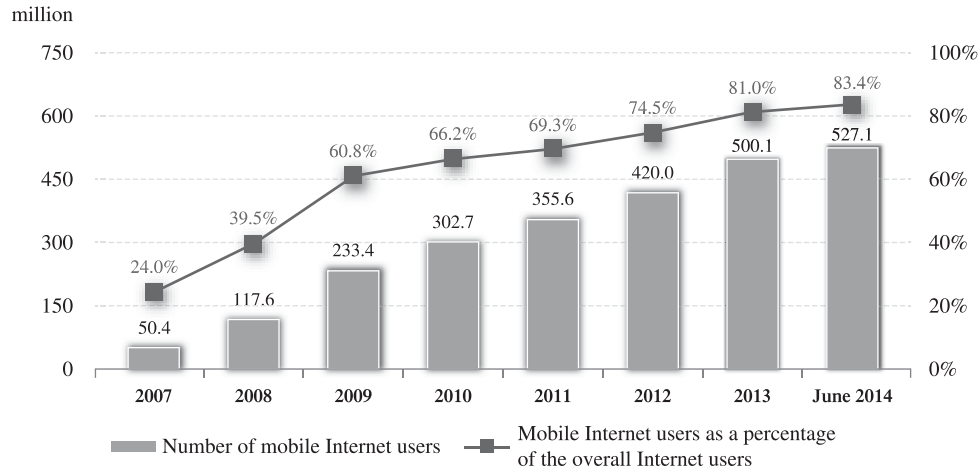
Analysys International's independent research was undertaken through both primary and secondary research conducted in China. The primary research involved in-depth interviews with industry experts, enterprises and channels. The secondary research utilized Internet-based methods for research and

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involved comprehensive in-house research of public information for the Internet industry, including government data and information, relevant economic data, industry data, company annual reports, quarterly reports, publications by industry experts and data from Analysys International's own research database. Analysys International's projection on the market size of China's online games, including mobile games, takes into consideration various factors including (i) historical data of market size, (ii) the public filings of major online game developers and publishers, as well as those companies' projections of their own prospective results of operations during Analysys International's interviews with them; (iii) industry experts' projections; and (iv) Analysys International's estimation of industry developments. Based on the above-mentioned methods through which Analysys Report was made, we are of the view that the statistics provided in Analysys Report are reliable, however, the reliability of the Analysys Report may be affected by the accuracy of the foregoing assumptions and factors.

CHINA MOBILE INTERNET MARKET OVERVIEW

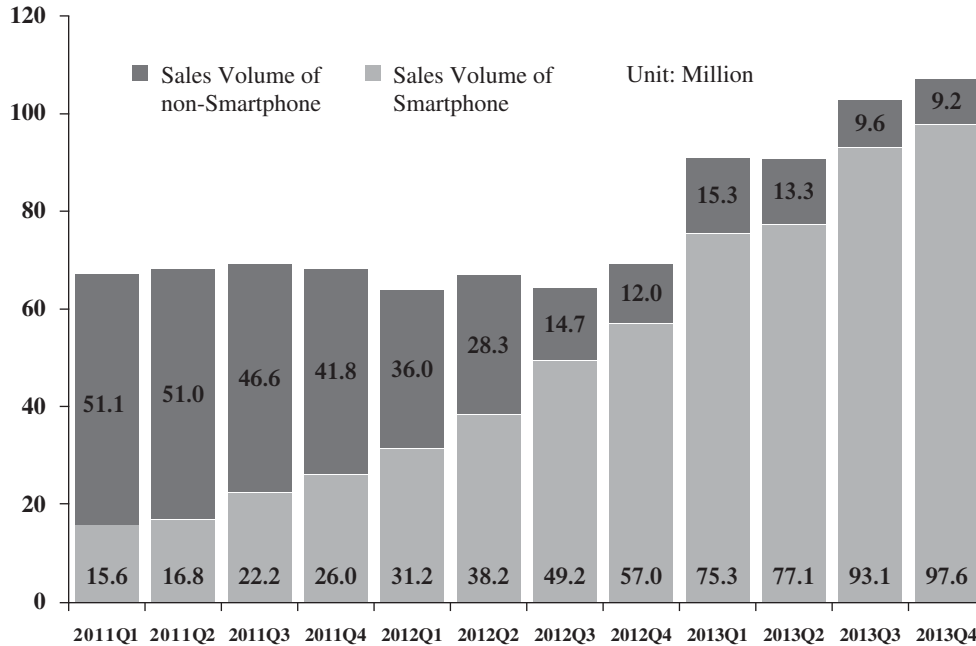
China has the world's largest mobile Internet user base. As a result of the increased availability and usage of 3G mobile and Wi-Fi networks and continuous decrease in the prices of mobile devices such as smartphones and tablets, the number of mobile Internet users in China grew rapidly in recent years. According to the Statistical Reports on Internet Development in China published by CNNIC in January and July 2014 (the "CNNIC Reports"), mobile Internet users in China increased almost tenfold from approximately 50 million at the end of 2007 to approximately 527 million in June 2014. The number of mobile Internet users as a percentage of all Internet users in China also increased from 24.0% at the end of 2007 to 83.4% in June 2014. The following chart illustrates the increase in number of mobile Internet users in China as well mobile Internet users as a percentage of all Internet users in China from 2007 to 2013:



Source: CNNIC

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The rapid growth of China's mobile Internet market is supported by, among others, the significant increase in usage of smartphones in China. According to the Analysys Report, the overall quarterly sales volume of smartphones in China was approximately 75.3 million, 77.1 million, 93.1 million and 97.6 million for the four quarters in 2013 and the sales volume of smartphones exceeded ten times of the sales volume of non-smartphones in China in the fourth quarter of 2013. The following chart illustrates the changes in sales volume of smartphone and non-smartphones in China from 2011 to 2013:



Note: Volume numbers do not include sales made through unauthorized dealers.

Source: Analysys Report

According to the Analysys Report, the increasing popularity of mobile Internet in China has created remarkable growth opportunities for various Internet-related industries such as the online game industry. The overall market size of China's mobile Internet market, as measured by total consumer spending (including (a) communication fees including data charges, (b) fees paid to other service providers and (c) transaction fees) on and advertising revenue generated from mobile Internet, reached RMB263.1 billion in 2013.

CHINA ONLINE GAME MARKET OVERVIEW

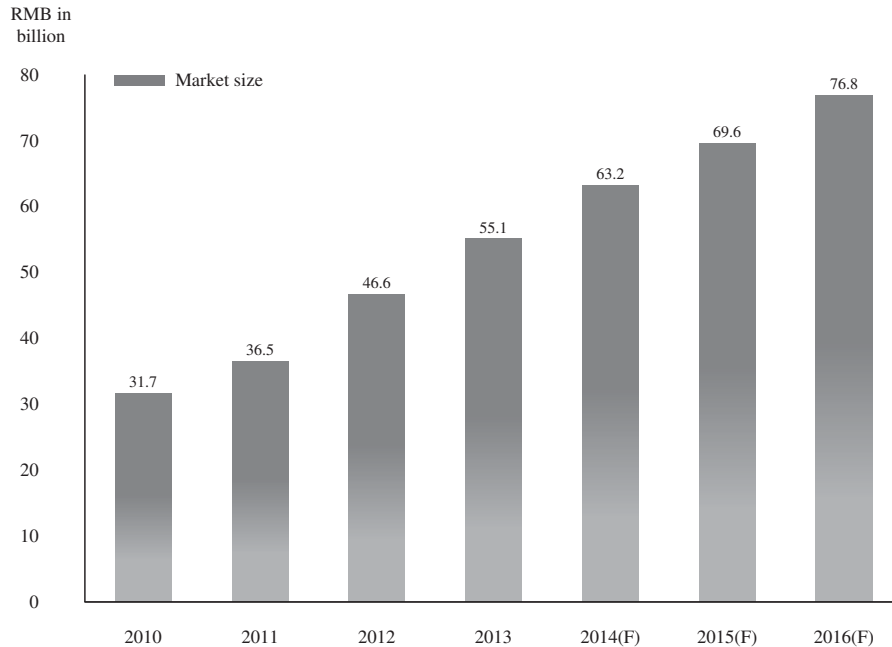
According to the Analysys Report, the overall online game market in China grew rapidly in recent years. The overall market size of the online game industry as measured by the combined revenues of all online game enterprises in China reached RMB86.0 billion in 2013 and is expected to further increase in the future. The growth in client-based games and webgames slowed down in 2013 while the growth rate of mobile games exceeded the average growth rate of the online game industry. While the market size of webgames in China increased by 86.6% from 2011 to 2012, the growth rate decreased to 73.0% from 2012 to 2013. In contrast, while the market size of mobile games in China increased by only 31.5% from 2011 to 2012, it increased by 155.7% from 2012 to 2013. The market size of client-based games in China grew at the slowest pace during such period and increased by 27.6% from 2011 to 2012 and by 18.3% from 2012 to 2013.

INDUSTRY OVERVIEW

Client-Based Game Market Size

According to the CNNIC Reports, client-based games generally have better player stickiness but encountered bottleneck in acquiring new players in recent years and their player stickiness is decreasing. While client-based games have lost players to webgames and mobile games, they are still irreplaceable for many client-based game players. According to the Analysys Report, the market size of client-based games in China is expected to increase from RMB55.1 billion in 2013 to RMB76.8 billion in 2016, representing a CAGR of 11.7%.

The following chart illustrates China's client-based game market size from 2010 to 2013 and forecasted market size from 2014 to 2016:



Note: Market size is measured by total revenues of all online game enterprises in China, including users payments, game development and licensing fees, content outsourcing fees, licensing fees for related merchandises, and overseas licensing fees.

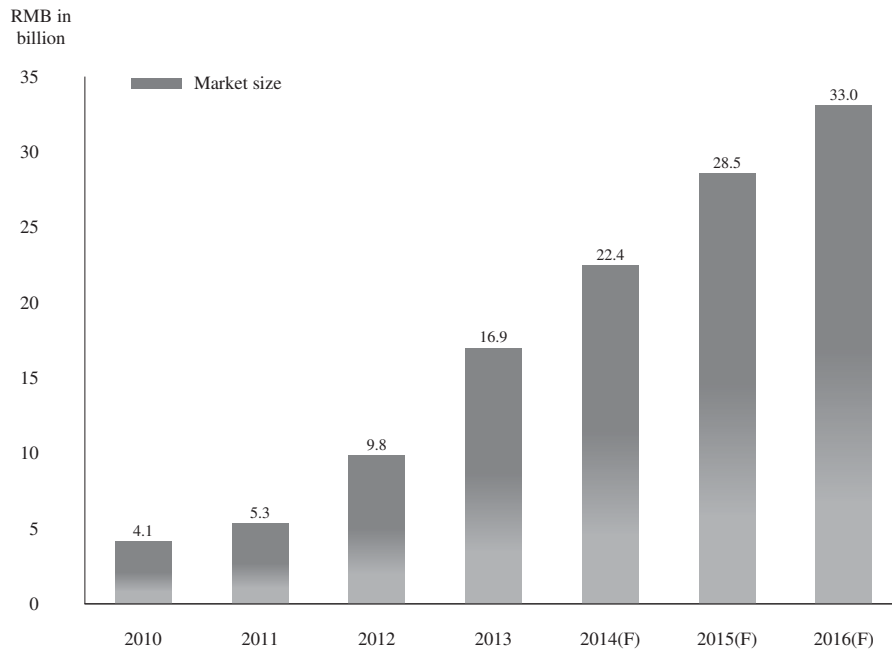
Source: Analysys Report

Webgame Market Size

According to the CNNIC Reports, while webgames experienced rapid growth in China since 2011, their disadvantages have become evident with the emergence and rapid development of mobile games. The game experience of webgames is generally not comparable to client-based games while their convenience of play is not comparable to mobile games. According to the Analysys Report, the market size of webgames in China is expected to increase from RMB16.9 billion in 2013 to RMB33.0 billion in 2016, representing a CAGR of 24.9%.

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The following chart illustrates China's webgame market size from 2010 to 2013 and forecasted market size from 2014 to 2016:



Note: Market size is measured by total revenues of all online game enterprises in China, including users payments, game development and licensing fees, content outsourcing fees, licensing fees for related merchandises, and overseas licensing fees.

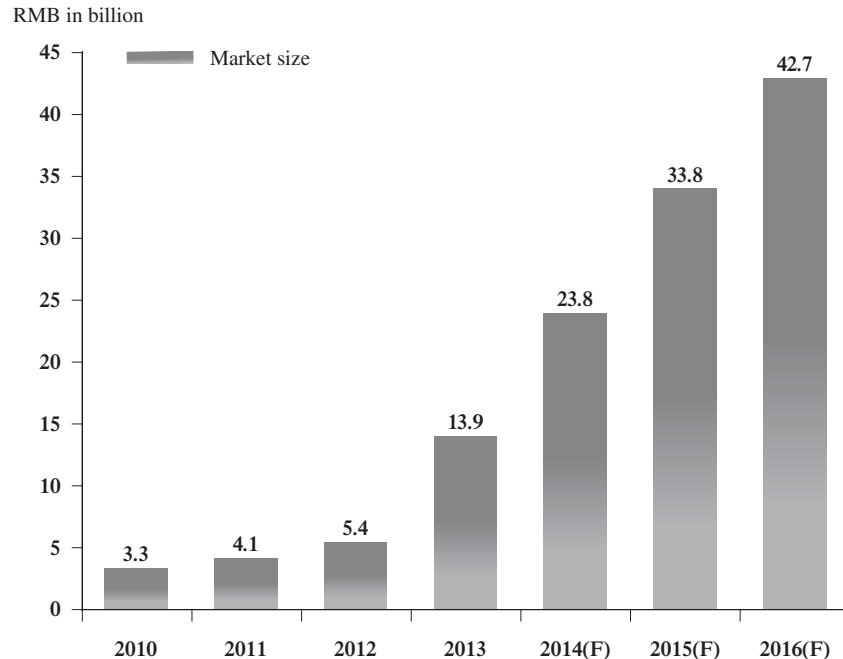
Source: Analysys Report

Mobile Game Market Size

According to the CNNIC Reports, mobile games have great potential for further growth in China primarily because, (i) the general population in China is expected to spend more time on smartphones due to improvement in network environment, including the development of 3G, 4G and Wi-Fi networks, and enhancements to the functions and specifications of smartphones; (ii) the introduction of social elements into mobile games is expected to increase the interactive nature of mobile games and increase player stickiness and extend games' lifespan; and (iii) the nature of smartphones determines that they will be with their users most of the time and enables mobile games to be played anytime and anywhere. According to the Analysys Report, the market size of mobile games in China is expected to increase from RMB13.9 billion in 2013 to RMB42.7 billion in 2016, representing a CAGR of 45.4%. The successful commercialization of many mobile games in 2013 and the diversification of mobile game products and genres contributed to the rapid growth of mobile games in China in 2013. According to the Analysys Report, mobile game players in China increased by 53.0% to 388.0 million in the fourth quarter of 2013 from 253.5 million in the fourth quarter of 2012 and is expected to continue to increase in 2014.

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The following chart illustrates China's mobile game market size from 2010 to 2013 and forecasted market size from 2014 to 2016:



Note: Market size is measured by total revenues of all online game enterprises in China, including users payments, game development and licensing fees, content outsourcing fees, licensing fees for related merchandises, and overseas licensing fees.

Source: Analysys Report

MOBILE GAME VALUE CHAIN OVERVIEW

China's mobile game sector's participants mainly include developers, publishers, distribution channels and supporting service providers.

- **Mobile Game Developers**

Mobile game developers are responsible for developing game contents and providing ongoing optimization, updates and in-game technical support. Developers own the intellectual property rights to the games and either publish and operate the games themselves or license their games to third-party publishers. Developers mainly rely on their game development capability to compete in the market.

- **Mobile Game Publishers**

Mobile game publishers are responsible for marketing, player acquisition, player services and overall operation of the games. Publishers may distribute games through their own distribution channels and/or through third-party distribution channels. A publisher with strong game development capability may also be able to provide value-added services to game developers, such as advice on game optimization and update. Publishers mainly compete based on their ability to acquire high-quality games from developers and to effectively market and distribute the games through various distribution channels.

- **Distribution Channels**

Distribution channels are responsible for distributing mobile games to players by promoting and enabling users of such channels to download the game software to their mobile devices. Distribution

INDUSTRY OVERVIEW

channels face users directly and the strength of a distribution channel is mainly determined by the size and quality of its user base. According to the Analysys Report, the existence of many distribution channels is a unique character of China's mobile game market. In overseas markets, Apple Inc.'s App Store and Google Play are the two dominant distribution channels for mobile games. In China, however, there have emerged many important distribution channels including, among others, third-party online application stores such as Tencent Android App and 91 Mobile Assistance, super-apps such as WeChat, and online game centers of major telecommunication network operators and mobile device manufacturers in China.

- Supporting Service Providers

The operation of mobile games also requires the services of various supporting service providers, such as network service providers, server service providers, marketing media service providers, and payment channels.

Major participants in the mobile game industry, including developers, publishers and distribution channels, generally adopt a revenue-sharing model in which publishers or distribution channels collect payments from players and share those payments with developers, and if applicable, publishers. The percentage of gross billings that each party is entitled to varies from game to game and depends on the roles and responsibilities of the developer, publisher and distribution channel involved. Publishers or distribution channels generally pay for services provided by supporting service providers on a commission basis. The percentage of commission differs based on the type of service provided and the relevant party's bargaining power.

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COMPETITIVE LANDSCAPE

Competitive Landscape of Mobile Game Developers

According to the Analysys Report, competition in China's mobile game market intensified in 2013 as thousands of mobile game developers entered into this market with over ten thousand mobile games. There were almost 10 thousand mobile game development enterprises and teams in China at the end of 2013, which made China the largest mobile game development country in the world. China's mobile game industry is also highly fragmented, except Tencent Games which has taken the top position. The following table sets forth the ranking of mobile game developers in China in terms of gross billings of all games developed by such developers in 2013 and the first seven months of 2014.

Name of Developer	2013		First Seven Months of 2014	
	Rank	Market Share	Rank	Market Share
Tencent Games (騰訊遊戲)	1.	16.02%	1.	33.44%
Locojoy (卓越遊戲)	2.	6.19%	6.	2.91%
Yinhan Technology (銀漢科技)	3.	4.99%	4.	3.26%
Playcrab (玩蟹科技)	4.	4.79%	N/A	N/A
Linekong Entertainment (藍港在線)	5.	3.62%	5.	3.11%
Digital Cloud (數字天空)	6.	3.54%	N/A	N/A
Shanda Games (盛大遊戲)	7.	3.23%	N/A	N/A
EGLS (艾格拉斯)	8.	3.14%	N/A	N/A
PinIdea (品志文化)	9.	2.77%	N/A	N/A
Muhenet(慕和網路)	10.	2.72%	N/A	N/A
Tap4Fun	11	2.39%	N/A	N/A
Lilith Games (莉莉絲遊戲)	N/A	N/A	2.	4.31%
BabelTime (巴別時代)	N/A	N/A	3.	3.30%
5agame (愛樂遊)	N/A	N/A	7.	2.68%
Perfect World (完美世界)	N/A	N/A	8.	2.37%
Chukong Technologies (觸控科技)	N/A	N/A	9.	1.65%
DENA	N/A	N/A	10.	1.60%

Source: Analysys Report

Competitive Landscape of Mobile Game Publishers

The commercial success of mobile games depends to a significant degree on the scale and effectiveness of marketing efforts to promote the games. As marketing and promotional costs continue to increase in recent years, many mobile game developers do not have the financial and/or other resources necessary for the marketing of their games. In addition, due to the large number of mobile game developers and a relatively small number of major distribution channels in China, most mobile game developers do not have strong bargaining power when dealing with major distribution channels. As a result, mobile game publishers emerged as an important link in the mobile game value chain that connects developers and distribution channels.

According to the Analysys Report, there were over 40 mobile game publishers in China as of the end of 2013 and major mobile game publishers include us and other companies such as China Mobile Games and Entertainment Group (中國手游娛樂集團) ("CMGE") and Kunlun Games (崑崙遊戲). The Analysys Report has named us as one of the major mobile game publishers in China primarily due to the

INDUSTRY OVERVIEW

success we have achieved in publishing our licensed game, *Blade of God*, which ranked fifth among all mobile games published by third-party publishers in China based on their gross billings in the second quarter of 2014. In addition, we ranked eighth among all mobile game publishers in China with a market share of 4.17% in terms of gross billings from third-party developed mobile games in April to July 2014.

There are three types of mobile game publishers in China. The first type, of which Tencent is the most typical example, distribute their games almost exclusively through their own distribution channels because they have sufficiently large user bases on their own distribution channels, such as Tencent's QQ and WeChat, and do not want their games to divert users to other distribution channels. The second and third types, which include the vast majority of mobile game publishers in China, do not have a big enough distribution channel of their own and have to cooperate with third-party distribution channels. The second type, of which we and Locojoy (卓越遊戲) are typical examples, have strong game development capabilities. Publishing licensed games can help these companies rapidly increase their revenue and decrease their business operation risks. These publishers usually understand games very well and can help the games' developers improve and update the games. The third type, of which CMGE (中國手游娛樂集團) and FLMobile (飛流) are typical examples, do not have strong game development capabilities but control some distribution channels, and publishing licensed games is a method for these companies to monetize their distribution resources.

Competitive Landscape of Mobile Games

According to the Analysys Report, most mobile games have a lifespan of 6 to 12 months. Analysys International categorizes mobile games into stand-alone games, casual games and midcore to hardcore games. Stand-alone mobile games are games designed to be downloaded by players through the Internet, but can be played properly without connection to the Internet. In contrast, casual mobile games and midcore to hardcore mobile games, which are also collectively referred to as online mobile games, usually require Internet connections to play properly. Casual mobile games are typically distinguished by their simple in-game rules and lack of commitment required in contrast to midcore to hardcore games, which require longer-term time commitment or special skills to play. In the first six months of 2014, casual mobile games and midcore to hardcore mobile games had a market share of approximately 43.31% and 56.64%, respectively, within the mobile game industry in the PRC in terms of active players of each type of games on the Android system.

Midcore to hardcore games

According to the Analysys Report, midcore and hardcore online games have the following characteristics as compared to casual games:

- Higher gross billings

According to the Analysys Report, mobile games that generate the majority of revenues of the mobile game sector in China are midcore to hardcore mobile games. These mobile games adopt the same revenue model used in client-based games which generates revenue by selling virtual items to game players.

In the client-based game sector, according to the Analysys Report, approximately 70% of major client-based games in China were midcore to hardcore games in 2013 and their total gross billings were significantly higher than casual games.

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- Longer life-span

According to the Analysys Report, midcore and hardcore online games generally have longer lifespan than casual games, and as of the end of 2013, among the top 10 major client-based games in China in terms of lifespans, eight are midcore to hardcore games and each of them had a lifespan of seven years or more.

- Higher entry barriers

Due to their higher demand for graphic and audio quality, midcore to hardcore games require stronger game development capability and have higher entry barrier for game developers than casual games. Midcore to hardcore games also generally take a longer period of time to develop and require higher development costs.

The major types of midcore to hardcore mobile games include CCGs, RPGs, ACT games and TBGs which had a market share of approximately 21.92%, 2.20%, 12.60% and 17.05%, respectively, within the mobile game industry in the PRC in terms of active players of each type of games on the Android system in the first six months of 2014. According to the Analysys Report, Excalibur (王者之劍) developed by us is a typical ACT game, and had a market share of 16.96% and 9.21%, respectively, in terms of gross billings among all ACT games published in China, in 2013 and the first six months of 2014. ACT games borrowed their control methods from hand-held console games and integrated the horizontal fighting mode favored by many Chinese players to stimulate players' interests in combat and competition. ACT games were recognized in China's mobile games sector in 2013 and were very popular among players in China. The following table sets forth the ranking of major ACT games in terms of gross billings in 2013 and the first six months of 2014:

Game Title	Developer	Publisher	Commercialization Date	Rank	
				2013	First Six Months of 2014
Space-time Hunters (時空獵人)	Yinhan Technology (銀漢科技)	Yinhan Technology (銀漢科技)	November 2012	1.	1.
Excalibur (王者之劍)	Linekong Entertainment (藍港在線)	Linekong Entertainment (藍港在線)	March 2013	2.	6.
Monsters (神魔)	Yinhan Technology (銀漢科技)	Yinhan Technology (銀漢科技)	September 2013	3.	2.
Hunters OL (獵神 OL)	Taplink games (涵凌網路)	Yunyouyou (雲遊遊)	June 2013	4.	N/A
King of the Fighters (格鬥之皇)	Vxinyou (新遊遊戲)	Vxinyou (新遊遊戲)	January 2013	5.	N/A
Tiexue Zhanshen (鐵血戰神)	Xixun (喜訊無限)	Kingsoft Network (金山網路)	September 2013	6.	N/A
Eternity Warriors 3 (永恆戰士3)	Glu Mobile Limited	CMGE (中國手游)	December 2013	7.	7.
Dark Avengers (黑暗復仇者)	Gamevil	Gamevil	April 2013	8.	N/A

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Game Title	Developer	Publisher	Commercialization Date	Rank	
				2013	First Six Months of 2014
Fight (天天炫鬥)	Tencent Games (騰訊遊戲)	Tencent Games (騰訊遊戲)	April 2014	N/A	3.
Garshasp (暗黑戰神)	4399	4399	February 2014	N/A	4.
Combat Arena (格鬥江湖)	Hugestar Technology (碩星科技)	Vxinyou (新遊網絡)	February 2014	N/A	5.
Shadow Fight 2 (暗影格鬥 2)	Nekki	Nekki	October 2013	N/A	8.

Source: Analysys Report

According to the Analysys Report, Sword of Heaven (蒼穹之劍) developed by us is a typical mobile RPG, and had a market share of 4.11% and 10.04%, respectively, in terms of gross billings among all mobile RPGs published in China in 2013 and the first six months of 2014. The player base and revenue model of mobile RPGs are similar to client-based RPGs. These games usually offer many scenarios and roles to allow players to interact with each other in the games' virtual worlds. Mobile RPGs were also very popular among players in China and attracted relatively higher player spending compared with other types of games. The following table sets forth the ranking of major mobile RPGs in terms of gross billings in 2013 and the first six months of 2014:

Game Title	Developer	Publisher	Commercialization Date	Rank	
				2013	First Six Months of 2014
Armed Warrior (英雄戰魂)	EGLS (艾格拉斯)	EGLS (艾格拉斯)	January 2012	1.	N/A
The Gods (忘仙)	Magic Universe (神奇時代)	Magic Universe (神奇時代)	January 2012	2.	N/A
QQ Swords (QQ 禦劍)	Tencent Games (騰訊遊戲)	Tencent Games (騰訊遊戲)	April 2011	3.	N/A
Emperor 2 (君王2)	Morefuntek (美峰數碼)	Morefuntek (美峰數碼)	March 2013	4.	N/A
Fantasy (神鬼幻想)	Perfect World (完美世界)	Perfect World (完美世界)	September 2013	5.	N/A
Order & Chaos Online (混沌與秩序)	Gameloft	Gameloft	May 2011	6.	N/A
Sword of Heaven (蒼穹之劍)	Linekong Entertainment (藍港在線)	Linekong Entertainment (藍港在線)	December 2013	7.	3.
Decapitate Xuanyuan (怒斬軒轅)	YileWeb (江蘇易樂)	CMGE (中國手游)	November 2013	8.	N/A
Westward Journey (傲世西遊)	Tencent Games (騰訊遊戲)	Tencent Games (騰訊遊戲)	November 2013	N/A	1.
The Condor Heroes (神雕俠侶)	Perfect World (完美世界)	Perfect World (完美世界)	July 2013	N/A	2.

INDUSTRY OVERVIEW

Game Title	Developer	Publisher	Commercialization Date	Rank	
				2013	First Six Months of 2014
Qin's Moon (秦時明月)	Dream Network (駿夢遊戲)	Chukong Technologies (觸控科技)	March 2014	N/A	4.
New Divine Comedy (新神曲)	Hoolai Games (互愛科技)	Hoolai Games (互愛科技)	December 2013	N/A	5
Gods (神仙道)	Pin Idea (品志文化)	Pin Idea (品志文化)	December 2012	N/A	6
Forsaken world (神魔大陸)	Perfect World (完美世界)	Perfect World (完美世界)	February 2014	N/A	7.
Dragon Force (龍之力量)	Digital Cloud (數字天空)	Digital Cloud (數字天空)	January 2013	N/A	8.

Source: Analysys Report

According to the Analysys Report, *Blade of God* (神之刃) published by us at the end of March 2014 had a market share of 3.66% in terms of gross billings among all mobile CCGs published in China in the first six months of 2014. Mobile CCG is a major component of the mobile game market, especially in East Asia and Japan. The following table sets forth the ranking of major CCGs in terms of gross billings in the first six months of 2014:

Game Title	Developer	Publisher	Commercialization Date	Rank in the First Six Months of 2014
Dota Heroes (刀塔傳奇)	Lilith Games (莉莉絲遊戲)	Longtu Game (龍圖遊戲)	February 2014	1
Let Go of the Three Kingdoms (放開那三國)	Babel Time (巴別時代)	Babel Time (巴別時代)	January 2014	2
My Name is MT (我叫MT)	Locojoy (卓越遊戲)	Locojoy (卓越遊戲)	November 2012	3
The National Water Margin (全民水滸)	Tencent Games (騰訊遊戲)	Tencent Games (騰訊遊戲)	March 2014	4
Master (大掌門)	Playcrab (玩蟹科技)	Playcrab (玩蟹科技)	October 2012	5
NBA Dream team (NBA 夢之隊)	DeNACHina (上海縱遊)	DeNACHina (上海縱遊)	October 2013	6
Three Kingdoms (啪啪三國)	HR Game (火溶信息)	FLMobile (飛流)	November 2013	7
Blade of God (神之刃)	Miaoquhengsheng (妙趣橫生)	Linekong Entertainment (藍港在線)	March 2014	8

REGULATORY OVERVIEW

Our business includes developing and publishing online games which are subject to extensive supervision and regulation by the PRC authorities. This section sets out a summary of the main applicable laws and regulations governing our business operation.

REGULATIONS RELATING TO TELECOMMUNICATIONS SERVICES AND FOREIGN INVESTMENT RESTRICTIONS

Telecommunications Services

The Telecommunications Regulations of the PRC (《中華人民共和國電信條例》) (the “Telecommunications Regulations”) issued on September 25, 2000, and amended on July 29, 2014, by the State Council of the People’s Republic of China (中華人民共和國國務院) (the “State Council”) set out a regulatory framework for telecommunications services providers in the PRC. The Telecommunications Regulations categorize telecommunications services into basic telecommunications services and value-added telecommunications services. According to the Catalog of Telecommunications Businesses (《電信業務分類目錄》) attached to the Telecommunications Regulations, which was amended on February 21, 2003 and became effective on April 1, 2003, information services provided via fixed network, mobile network and Internet fall within the category of value-added telecommunications services. According to the Telecommunications Regulations, a commercial telecommunications service provider in the PRC must obtain an operating license from the MIIT or its provincial-level counterparts.

The Administrative Measures on Internet Information Services (《互聯網信息服務管理辦法》) (the “Internet Measures”), issued by the State Council on September 25, 2000 and amended on January 8, 2011, set out guidelines on Internet information services provision. Under the Internet Measures, “Internet information services” refer to services that provide Internet information to online users, and are classified into commercial services and non-commercial services. Internet information commercial services providers must obtain a value-added telecommunications license (增值電信業務經營許可證) (the “ICP License”) from the relevant authorities before engaging in the provision of any commercial Internet information services in China.

The Administrative Measures for Telecommunications Businesses Operating Licensing (《電信業務經營許可管理辦法》) (the “Telecom License Measures”) promulgated by the MIIT and became effective on April 10, 2009 further regulate the telecommunications business licensing. The Telecom License Measures distinguish between licenses for business conducted in a single province, which are issued by the provincial-level counterparts of the MIIT, and licenses for trans-provincial businesses, which are issued by the MIIT.

Besides, the Internet Measures and other relevant measures also ban Internet activities that constitute publication of any content that, among others, propagates obscenity, pornography, gambling and violence, incite the commission of crimes or infringe upon the lawful rights and interests of third parties. If an Internet information service provider detects information transmitted on their system that falls within the specifically prohibited scope, such provider must terminate such transmission, delete such information immediately, keep records and report to the governmental authorities in charge. Any provider’s violation of these prescriptions will lead to the revocation of its ICP License and, in serious cases, the shutting down of its Internet systems.

Each of Linekong Entertainment and Shouyoutong has obtained ICP License issued by Beijing Communication Administration (北京市通信管理局) with service scope covering Internet information service. Tianjin 8864 has obtained ICP License issued by Tianjin Communication Administration (天津市通信管理局).

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Foreign Investments Restrictions in Value-added Telecommunication Industry

According to the Administrative Rules for Foreign Investments in Telecommunications Enterprises (《外商投資電信企業管理規定》) issued by the State Council on December 11, 2001 and amended on September 10, 2008, foreign investors' ultimate equity ownership in an entity in the PRC providing value-added telecommunications services shall not exceed 50% and a foreign investor wishing to acquire any equity interest in a value-added telecommunications business in the PRC must demonstrate (i) a good track record and (ii) experience in providing value-added telecommunications services overseas (the "Qualification Requirement"). We have started taking steps, and plan to take additional steps, to build up our track record of overseas telecommunications business operations in an attempt to comply with the Qualification Requirement, so as to be qualified to acquire the entire equity interest of Linekong Entertainment when the restrictions on the percentage of foreign ownership in telecommunications services are lifted. For details of the specific steps we have taken and plan to take, please refer to "Contractual Arrangements — Introduction" in this prospectus.

The Guiding Catalog for Foreign Investment Industries of 2011 (《外商投資產業指導目錄(2011)》), which was promulgated by the MOFCOM and the National Development and Reform Commission (國家發展和改革委員會) (the "NDRC"), imposes the same restrictions on the percentage of foreign ownership in value-added telecommunication business as imposed by the Administrative Rules for Foreign Investments in Telecommunications Enterprises discussed above.

On July 13, 2006, the MIIT issued the Circular on Strengthening the Administration of Foreign Investment in and Operation of Value-added Telecommunications Business (《關於加強外商投資經營增值電信業務管理的通知》) (the "MIIT Notice"), which prohibits holders of ICP Licenses from leasing, transferring or selling their licenses to any foreign investors in any form, or providing any resources, sites or facilities to any foreign investors for illegal operation of telecommunications businesses in the PRC. The MIIT Notice requires that holders of ICP Licenses or their shareholders must directly own the domain names and registered trademarks used by such license holders in their ICP-related services. The MIIT Notice further requires that each license holder must have necessary facilities for its approved business operations and maintain such facilities in the regions covered by its license. In addition, all value-added telecommunications service providers are required to maintain network and Internet security in accordance with the standards set out in relevant PRC regulations. If a license holder fails to comply with the requirements in the MIIT Notice and remedy such non-compliance, MIIT or its local counterparts has the discretion to take administrative measures against such license holder, including revocation of its ICP License. Each of Linekong Entertainment, Shouyoutong and Tianjin 8864, as the holder of the ICP License, owns the domain names and registered trademarks required for its ICP-related services. Please refer to the section headed "B. Further Information about Our Business — 2. Our Intellectual Property Rights" in Appendix IV to this prospectus. Based on the compliance letter issued to Linekong Entertainment and Shouyoutong by Beijing Communication Administration dated May 22, 2014, and the compliance letter issued to Tianjin 8864 by Tianjin Communication Administration dated May 30, 2014, our PRC Legal Advisor is of the opinion that the holders of the ICP Licenses are in compliance with the MIIT Notice's requirements for domain names and registered trademarks.

REGULATIONS ON ONLINE GAMES AND CULTURAL PRODUCTS AND FOREIGN OWNERSHIP RESTRICTIONS

Pursuant to the aforesaid Guidance Catalog of Industries for Foreign Investment of 2011, the Internet culture business falls within the category of industries prohibiting foreign investment. On February 17, 2011, the MOC issued the revised Interim Provisions on the Administration of Internet

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Culture (《互聯網文化管理暫行規定》) (the “Internet Culture Interim Provisions”), effective as of April 1, 2011. According to the Internet Culture Interim Provisions, “Internet cultural products” are defined as including the online games specially produced for Internet and games reproduced or provided through Internet. Provision of Internet cultural products and related services is subject to the approval of the MOC or its provincial counterpart. The MOC issued the Circular on Implementation of the Newly Revised Interim Provisions on the Administration of Internet Culture (《關於實施新修訂〈互聯網文化管理暫行規定〉的通知》) on March 18, 2011, which provides that the authorities will temporarily not accept applications by foreign-invested Internet content providers for operation of Internet culture business (other than online music business).

On June 3, 2010, the MOC issued the Interim Measures on Administration of Online Games (網絡遊戲管理暫行辦法) (the “Online Game Measures”), which became effective on August 1, 2010. Pursuant to the Online Game Measures and the Internet Culture Interim Provisions, a company engaging in Internet culture activities, such as the production or the operation of online games, including mobile games operated through wireless telecommunication networks, issuance of virtual currency and/or provision of virtual currency transaction services must have a registered capital of at least RMB10 million and obtain an Internet Culture Business License (網絡文化經營許可證) from the provincial counterpart of the MOC. Each of Linekong Entertainment, Shouyoutong, Quwei and Tianjin 8864 has obtained an Internet Culture Business License issued by Beijing MOC (北京市文化局) and Tianjin Bureau of Culture, Radio, Film and Television (天津市文化廣播影視局), respectively.

The Online Game Measures place restrictions on the content of online games and require that online games shall not contain any content that, among other things, violates the fundamental principles established in the PRC Constitution, endangers unification, sovereignty, and territorial integrity of the State or transgresses social morality, and any other content prohibited by laws, administrative regulations, and provisions of the State. The MOC is responsible for conducting the content review. With respect to online games developed in the PRC, filing procedures with the MOC shall be done within 30 days after the online games are provided via Internet within the PRC. The competent supervision authority may require the company who failed to comply with this requirement to rectify the non-compliance and impose penalties up to RMB20,000. In addition, the filing numbers of the games must be displayed at the designated places of the websites or which the games are operated or at a prominent place in the games. Online game operators are also required to establish self-censorship systems and have dedicated personnel for the purpose to ensure the lawfulness of the content of online games. As of the Latest Practicable Date, Linekong Entertainment, Shouyoutong and Tianjin 8864 have completed the filing procedures at MOC for all of our online games currently in operation.

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

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REGULATIONS RELATING TO ONLINE GAMES AS INTERNET PUBLICATIONS

On June 27, 2002, the GAPP and the MIIT jointly issued the Interim Regulations on Administration of Internet Publication (《互聯網出版管理暫行規定》) (the “Internet Publication Regulations”), which became effective on August 1, 2002. The Internet Publication Regulations define “Internet publication” as any act by an Internet content provider to select, edit and process content or programs and to make such content or programs publicly available on the Internet. Pursuant to the Internet Publication Regulations, any company which intends to engage in Internet publication activities is subject to the approval of MIIT and GAPP (or their provincial counterparts) and the obtaining of an Internet Publication License (互聯網出版許可證). As the provision of online games falls under the definition of Internet publication, an online game publisher must obtain an Internet Publication License.

The Notice on Interpretation of the State Commission Office for Public Sector Reform on Several Provisions Relating to Animation, Online Game and Comprehensive Law Enforcement in Culture Market in the “Three Provisions” jointly promulgated by the MOC, the SARFT and the GAPP (the “Three Determination Notice”) (《關於印發〈中央編辦對文化部、廣電總局、新聞出版總署〈“三定”規定〉中有關動漫、網路遊戲和文化市場綜合執法的部分條文的解釋〉的通知》) issued by the State Commission Office for Public Sector Reform on September 7, 2009, provides that the GAPP will have responsibility for the prior examination and approval of online games to be uploaded on the Internet. After online games are uploaded on the Internet, online games will be administered by the MOC. According to the Three Determination Notice, the “prior examination and approval” hereof means the examination and approval regarding the Internet publications before the provision of services via Internet upon approval of MIIT. The Three Determination Notice mainly clarifies the administrative authorities and responsibilities of different government agencies and therefore does not include any provision directly applicable to online game companies nor legal consequences for non-compliance with the notice.

On September 28, 2009, the GAPP, the National Copyright Administration (“NCA”, 國家版權局) and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (《關於貫徹落實國務院〈“三定”規定〉和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) (the “GAPP Online Game Notice”). The GAPP Online Game Notice prohibits foreign investors from participating in online game operating businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support arrangements. Under the GAPP Online Game Notice, online game Internet publishing is defined as the provision of interactive online game playing or downloading service of games to the public through the Internet and shall be subject to prior examination and approval of the GAPP. The GAPP Online Game Notice also provides that, if a game publisher fails to complete the publishing and filing procedure with GAPP as evidenced by an approval issued by GAPP for an online game before its commercialization, GAPP will notify the relevant local press and publication bureau to order the game to cease operation and carry out investigations and impose penalties on the game publisher but does not specify the penalties that may be imposed. On notification of GAPP, the local press and publication bureau, such as Beijing Press and Publication Bureau, is responsible to order a game to cease operation and impose penalties. The GAPP Online Game Notice also provides that no person shall engage in online game operation without first obtaining an Internet Publication License and serious violation of the GAPP Online Game Notice could result in suspension or revocation of

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relevant licenses and registrations. According to the Interim Regulations on Administration of Internet Publication, the administrative department of press and publication at provincial level shall be responsible for the daily administration on Internet publication, approving the applications for engagement in Internet publication business. Hence, procedurally, a game publisher shall submit relevant application materials of the game to the administrative department of press and publication at provincial level, who will issue a preliminary approval for the publication of the game and submit the application to GAPP, who is responsible to issue the final approval.

Linekong Entertainment, as our only PRC operating entity engaging in the online games publishing business, has obtained an Internet Publication License issued by GAPP with business scope covering online games publication. In our history, five of our games, namely *Unparalleled Devil*, *Bubble Ninja*, *Excalibur*, *Sword of Heaven* and *Blade of God*, were commercialized before Linekong Entertainment completed the publishing and filing procedures with GAPP and obtained GAPP approvals for such games. As of the Latest Practicable Date, while the publishing and filing procedure with GAPP for *Bubble Ninja*, *Excalibur*, *Sword of Heaven*, and *Unparalleled Devil* were completed or deemed to have been completed and GAPP approvals for these games were obtained or deemed to have been obtained, the publishing and filing procedure for *Blade of God* is still pending and GAPP approval for this game has not been obtained yet. See “Risk Factors — Risks Relating to Our Business — Five of our games were commercialized in the PRC before we obtained GAPP approvals for such games and one of such games is still in the process of publishing and filing with the GAPP, pending GAPP approval.”

REGULATIONS ON ANTI-FATIGUE COMPLIANCE SYSTEM AND REAL-NAME REGISTRATION SYSTEM

On April 15, 2007, in order to curb addictive online game-playing by minors, eight PRC government authorities, including the GAPP, the Ministry of Education (教育部), the Ministry of Public Security (公安部) and the MIIT, jointly issued the Notice on Protecting Minors Mental and Physical Health and Implementation of Online Game Anti-fatigue System (《關於保護未成年人心身健康實施網絡遊戲防沉迷系統的通知》) requiring the implementation of an anti-fatigue compliance system and a real-name registration system by all PRC online game operators. Under the anti-fatigue compliance system, three hours or less of continuous playing by minors, defined as game players under 18 years of age, is considered to be “healthy”, three to five hours is deemed “fatiguing”, and five hours or more is deemed “unhealthy.” Game operators are required to reduce the value of in-game benefits to a game player by half if it discovers that the amount of a time a game player spends online has reached the “fatiguing” level, and to zero in the case of the “unhealthy” level.

To identify whether a game player is a minor and thus subject to the anti-fatigue compliance system, a real-name registration system should be adopted to require online game players to register their real identity information before playing online games.

REGULATIONS ON VIRTUAL CURRENCY

The Notice on Further Strengthening Administration of Internet Café and Online Games (the “Internet Café Notice”) (《關於進一步加強網吧及網絡遊戲管理工作的通知》) jointly issued by 14 PRC regulatory authorities on February 15, 2007 imposes limits on the aggregate amount of virtual currency issued by online game operators. The Internet Café Notice emphasizes that virtual transactions must be strictly distinguished from real transactions in the form of electronic commerce. Virtual currency should only be used to purchase virtual items provided by the virtual currency issuer and the trading of virtual currency is prohibited. The Internet Café Notice further requires that the price for redemption of virtual currency shall not exceed the respective original purchase price.

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The Notice on Strengthening the Administration of Online Game Virtual Currency (《關於加強網絡遊戲虛擬貨幣管理工作的通知》) (the “Virtual Currency Notice”) jointly issued by the MOC and MOFCOM on June 4, 2009 sets out restrictions on the trading and issuing of online game virtual currency. The Virtual Currency Notice requires that enterprises providing online game virtual currency issuance or trading services must apply for approval from the MOC through its provincial branches. The Virtual Currency Notice further provides that a single enterprise may not engage in virtual currency issuing business and virtual currency trading business at the same time.

The Virtual Currency Notice regulates, among others, the amount of virtual currency a business can issue, the retention period of user records, the function of virtual currency and the return of unused virtual currency upon the termination of online services. It prohibits online game operators from distributing virtual items or virtual currency to players based on random selection through lucky draw, wager or lottery requiring players to devote cash or virtual currency. The Virtual Currency Notice bans the issuance of virtual currency by game operators to game players through means other than purchases with legal currency. In addition, the Online Game Measures promulgated in June 2010 further provide that (i) virtual currency may only be used to purchase services and products provided by the online service provider that issues the currency; (ii) the purpose of issuing virtual currency shall not be malicious appropriation of the user’s advance payment; (iii) the storage period of online gamers’ purchase record shall not be shorter than 180 days; (iv) the types, price and total amount of virtual currency shall be filed with the cultural administration department at the provincial level. The Online Game Measures stipulate that virtual currency service providers may not provide virtual currency transaction services to minors or for online games that fail to obtain the necessary approval or filings, and that such providers should keep transaction records, accounting records and other relevant information for its users for at least 180 days.

Our PRC Legal Advisor is of the opinion that we have complied with, and our online games do not constitute activities prohibited under the Virtual Currency Notice, have not conducted any of the above-mentioned prohibited acts in our operation of online games.

Separately, one of our mobile games was found to have given free virtual items to players based on random selection through a “lucky draw” which involved virtual credits paid by players and has been corrected upon receiving notice from relevant authority. As of the date of this prospectus, we have not encountered any similar incidents, and our PRC Legal Advisor is of the view that Linekong Entertainment will not be subject to any penalties relating to the Notice on Conducting the Nineteenth Investigation of the Illegal Internet Cultural Activities (No. Ban Shi Han [2013] 453). Please refer to section headed “Business — Legal Compliance and Proceedings” to this prospectus.

REGULATIONS OF INTERNET CONTENT

The PRC government has promulgated measures relating to Internet content through a number of governmental agencies, including the MIIT, the MOC and the GAPP. These measures specifically prohibit Internet activities, such as the operation of online games, that result in the publication of any content which is found to contain, among others, propagate obscenity, gambling or violence, instigate crimes, undermine public morality or the cultural traditions of the PRC, or compromise state security or secrets. If an ICP License holder violates these measures, its ICP License may be revoked and its websites may be shut down by the relevant government agencies.

Moreover, according to the Notice on the Work of Purification of Online Games (《關於淨化網絡遊戲工作的通知》) jointly issued by the MOC, the MIIT and other governmental authorities in June 2005, online games in China are required to be registered and filed as software products with the MIIT in

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accordance with the Administrative Measures on Software Products, promulgated in 2000 and amended in 2009.

REGULATIONS ON INFORMATION SECURITY AND CENSORSHIP

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

REGULATIONS ON ONLINE GAMBLING

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

Our PRC Legal Advisor is of the opinion that we have complied with, and our online games do not constitute activities prohibited under the Anti-gambling Notice, have not conducted any of the above-mentioned prohibited acts in our operation of online games and have not offered or promoted our online games as a tool for gambling.

REGULATIONS ON INTELLECTUAL PROPERTY

Copyright

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

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Measures on Computer Software Copyright Registration (《計算機軟件著作權登記辦法》), which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Centre of China (中國版權保護中心) is mandated as the software registration agency under the regulations. As of the Latest Practicable Date, we had registered 54 copyrights.

Trademark

Registered trademarks are protected under the Trademark Law of the PRC (《中華人民共和國商標法》), adopted in 1982 and revised respectively in 1993, 2001 and 2013, and the Implementation Rules of the Trademark Law (中華人民共和國商標法實施條例), adopted in 2002 and revised in 2014. The Trademark Office of the State Administration For Industry and Commerce of the PRC (國家工商行政管理總局商標局) (the “SAIC Trademark Office”) is responsible for trademark registrations. Upon the registration of a trademark, the registrant will have the right to exclusively use the trademark. Registered trademark license agreements are required to be filed with the SAIC Trademark Office for record. As of the Latest Practicable Date, we had registered 185 trademarks and had filed 207 trademark applications in China.

Domain Name

Internet domain name registration and related matters are primarily regulated by the Implementing Rules on Registration of Domain Names (《中國互聯網絡信息中心域名註冊實施細則》) issued by China Internet Network Information Centre (中國互聯網絡信息中心) (the “CNNIC”) and became effective on May 29, 2012, the Measures on Administration of Domain Names for the Chinese Internet (《中國互聯網絡域名管理辦法》), issued by the MIIT on November 5, 2004 and effective as of December 20, 2004, and the Measures on Domain Name Disputes Resolution for the Chinese Internet (《中國互聯網絡信息中心域名爭議解決辦法》) issued by CNNIC and effective as of June 28, 2012. Domain name registrations are handled through domain name service agencies established under the relevant regulations, and the applicants become domain name holders upon successful registration. As of the Latest Practicable Date, we had registered 14 domain names in China, including, among others, 8864.com, linekong.com and oksdk.com.

Patent

Patents in the PRC are mainly protected under the Patent Law of the PRC (《中華人民共和國專利法》) which was promulgated by the Standing Committee of the National People’s Congress (全國人民代表大會常務委員會) on March 12, 1984 and subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008 and its Implementation Rules which was promulgated by the State Council on January 19, 1985, December 21, 1992, June 15, 2001, December 28, 2002 and January 9, 2010. The Patent Law of the PRC and its Implementation Rules provide for three types of patents, “invention,” “utility model” and “design”. “Invention” refers to any new technical solution relating to a product, a process or improvement thereof; “utility model” refers to any new technical solution relating to the shape, structure, or their combination, of a product, which is suitable for practical use; and “design” refers to any new design of the shape, pattern or their combination and the combination of color and shape or pattern, of a product, which creates an aesthetic feeling and is suitable for industrial application. The duration of a patent right for “invention” is 20 years, and the duration of a patent right for “utility model” or “designs” is 10 years, from the date of application.

REGULATIONS ON PRIVACY PROTECTION

The Constitution of the PRC (《中華人民共和國憲法》) provides that PRC law protects the freedom and privacy of communications of citizens and that infringement of such rights is not permitted. While PRC

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laws, rules and regulations do not prohibit telecommunications service providers from collecting personal information about their users, PRC government authorities have enacted legislation in recent years regarding the use of the telecommunications networks that recognizes the protection of personal information from unauthorized disclosure. Under the Telecommunications Regulations, it is prohibited to produce, copy, publish or distribute information that is humiliating or slanderous to others or that infringes the lawful rights and interests of others via telecommunications networks. Depending on the nature of the violation, anyone who violates such regulations may face criminal charges or be sanctioned by security authorities.

REGULATIONS ON FOREIGN EXCHANGE

Regulations on Foreign Currency Exchange

Pursuant to the Foreign Exchange Administration Regulations of the PRC (《中華人民共和國外匯管理條例》) promulgated by the State Council on January 29, 1996 as amended on January 14, 1997 and August 5, 2008 and the Regulations on the Administration of Foreign Exchange Settlement, Sale and Payment (《結匯、售匯及付匯管理規定》) promulgated by the People's Bank of China (the "PBOC") on June 20, 1996 and became effective on July 1, 1996 and other PRC rules and regulations on currency conversion, foreign-invested enterprises are permitted to convert their after-tax dividends into foreign exchange and to remit such foreign exchange out of their foreign exchange bank accounts in the PRC. If foreign-invested enterprises require foreign exchange for transactions relating to current account items, they may, without approval of the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局) (the "SAFE"), effect payment from their exchange account or convert and pay at the designated foreign exchange banks, upon provision of valid receipts and proof. However, convertibility of foreign exchange in respect of capital account items, such as direct investment and capital contributions, is still subject to restriction, and prior approval from SAFE or its relevant branches must be sought.

On August 29, 2008, SAFE promulgated the Circular on the Relevant Operating Issues concerning Administration Improvement of Payment and Settlement of Foreign Currency Capital of Foreign-invested Enterprises (《關於完善外商投資企業外匯資本金支付結匯管理有關業務操作問題的通知》) (the "SAFE Circular 142") to regulate the conversion of foreign currency into Renminbi by a foreign-invested enterprise by restricting the ways in which the converted Renminbi may be used. SAFE Circular 142 stipulates that the registered capital of a foreign-invested enterprise that has been settled in Renminbi converted from foreign currencies may only be used for purposes within the business scope approved by the applicable governmental authority and cannot be used for equity investments within the PRC. Meanwhile, the SAFE strengthened its oversight of the flow and use of the registered capital of a foreign-invested enterprise settled in Renminbi converted from foreign currencies. The use of such Renminbi capital may not be changed without the SAFE's approval, and may not in any case be repayment of Renminbi loans. Violations of SAFE Circular 142 may lead to severe penalties including heavy fines. As a result, SAFE Circular 142 may significantly limit our ability to transfer the net proceeds from this offering to Linekong Entertainment through Beijing Linekong Online, and thus may adversely affect our business expansion in China. We may not be able to convert the net proceeds into Renminbi to invest in or acquire any other PRC companies, or establish other VIEs in the PRC. Following the issuance of the SAFE Circular 142, on November 19, 2010, SAFE promulgated the Circular on the Relevant Issues concerning Strengthening Administration of Foreign Exchange Business (《關於加強外匯業務管理有關問題的通知》) (the "SAFE Circular 59") which requires the authenticity of settlement of net proceeds from offshore offerings to be closely examined and the net proceeds to be settled in the manner described in the offering documents. Furthermore, in November 2011, SAFE issued the Circular on Further Clarifying and Regulating Matters Relating to Foreign Exchange Administration of Certain Capital Account Items

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(《國家外匯管理局關於進一步明確和規範部分資本項目外匯業務管理有關問題的通知》) (the “SAFE Circular 45”). SAFE Circular 45 requires SAFE’s local counterparts to strengthen the control imposed by SAFE Circular 142 and SAFE Circular 59 over the conversion of a foreign-invested company’s capital contributed in foreign currency into RMB. SAFE Circular 45 stipulates that a foreign-invested company’s RMB funds, if converted from such company’s capital contributed in foreign currency, may not be used by such company to (i) extend loans (in the form of entrusted loans), (ii) repay borrowings between enterprises, or (iii) repay bank loans it has obtained and on-lent to third parties. On May 10, 2013, SAFE promulgated the Circular on Printing and Distributing the Provisions on Foreign Exchange Administration over Domestic Direct Investment by Foreign Investors and the Supporting Documents (《關於印發〈外國外國投資者境內直接投資外匯管理規定〉及配套文件的通知》), which specifies that the administration by SAFE or its local branches over direct investment by foreign investors in the PRC shall be conducted by way of registration. Institutions and individuals shall register with SAFE and/or its branches for their direct investment in the PRC. Banks shall process foreign exchange business relating to the direct investment in the PRC based on the registration information provided by SAFE and its branches.

Since SAFE Circular 142 has been in place for more than five years, SAFE decided to further reform the foreign exchange administration system in order to satisfy and facilitate the business and capital operations of foreign invested enterprises, and issued the Circular on the Relevant Issues Concerning the Launch of Reforming Trial of the Administration Model of the Settlement of Foreign Currency Capital of Foreign-Invested Enterprises in Certain Areas (《關於在部分地區開展外商投資企業外匯資本金結匯管理方式改革試點有關問題的通知》) on August 4, 2014. This circular suspends the application of SAFE Circular 142 in certain areas and allows a foreign-invested enterprise registered in such areas with a business scope containing “investment” to use the RMB capital converted from foreign currency registered capital for equity investments within the PRC.

SAFE Circular 37

SAFE issued the Circular on Relevant Issues Concerning Foreign Exchange Control on Domestic Residents’ Offshore Investment and Financing and Roundtrip Investment through Special Purpose Vehicles (《關於境內居民通過特殊目的公司境外投融資及返程投資外匯管理有關問題的通知》), or SAFE Circular 37, on July 4, 2014, which replaced the former SAFE Circular 75 promulgated by SAFE on October 21, 2005. SAFE Circular 37 requires PRC residents to register with local branches of SAFE with regards to their direct establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing and holding such PRC residents’ legally owned assets or equity investments in domestic enterprises or offshore assets or interests (referred to as a “special purpose vehicle” in SAFE Circular 37). SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle, such as increase or decrease of capital contributed by PRC individuals, share transfer or exchange, merger, division or other material event. In the event that a PRC shareholder holding interests in a special purpose vehicle fails to fulfill the required SAFE registration, the PRC subsidiaries of that special purpose vehicle may be prohibited from making profit distributions to the offshore parent and from carrying out subsequent cross-border foreign exchange activities, and the special purpose vehicle may be restricted in its ability to contribute additional capital into its PRC subsidiary. Further, failure to comply with the various SAFE registration requirements described above could result in liability under PRC law for foreign exchange evasion.

Our ultimate PRC individual beneficial owners, namely Mr. Wang Feng, Ms. Liao Mingxiang, and Mr. Zhang Yuyu have registered with the Beijing local branch of SAFE in relation to their interests in our Company as required by SAFE Circular 75. Our PRC Legal Advisor has advised us that the Founders’ registration with SAFE completed pursuant to SAFE Circular 75 will remain effective and valid

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notwithstanding SAFE Circular 37 becoming effective. Our PRC legal Advisor further advised us that unless there are any significant change and/or basic information change with respect to the special purpose vehicle, there is no additional registration required to be made by any of the Founders under SAFE Circular 75 and/or SAFE Circular 37 prior to Listing. To our best knowledge, all of our shareholders who were subject to SAFE Circular 75 had registered with SAFE their respective investment in us. However, we cannot assure you that all of our shareholders who are PRC residents will comply with our request to make or obtain any applicable registrations or comply with other requirements under SAFE Circular 37 or other related rules. For a discussion of risks associated with failure to comply with SAFE Circular 37 or other related rules, please refer to “Risk Factors — Risks Relating to Conducting Business in the PRC — Regulations relating to offshore investment activities by PRC residents may subject us or our PRC resident beneficial owners to fines or sanctions imposed by the PRC government, including restrictions on our PRC subsidiary’s abilities to pay dividends or make contributions to us and our ability to increase our investment in our PRC subsidiary.”

Stock Option Rules

The Administration Measures on Individual Foreign Exchange Control (《個人外匯管理辦法》) were promulgated by the PBOC on December 25, 2006, and their Implementation Rules, issued by the SAFE on January 5, 2007, became effective on February 1, 2007. Under these regulations, all foreign exchange matters involved in employee stock ownership plans and stock option plans participated in by onshore individuals, among others, require approval from the SAFE or its authorized branch. Furthermore, the Notices on Issues Concerning the Foreign Exchange Administration for Domestic Individuals Participating in Stock Incentive Plans of Overseas Publicly-Listed Companies (《境內個人參與境外上市公司股權激勵計劃外匯管理有關問題的通知》) (the “Stock Option Rules”), were promulgated by SAFE on February 15, 2012, which replaced the Application Procedures of Foreign Exchange Administration for Domestic Individuals Participating in Employee Stock Ownership Plans or Stock Option Plans of Overseas Publicly-Listed Companies (《境內個人參與境外上市公司員工持股計劃和認股期權計劃等外匯管理操作規程》) issued by SAFE on March 28, 2007. Pursuant to the Stock Option Rules, PRC residents who are granted shares or stock options by companies listed on overseas stock exchanges based on the stock incentive plans are required to register with SAFE or its local branches, and PRC residents participating in the stock incentive plans of overseas listed companies shall retain a qualified PRC agent, which could be a PRC subsidiary of such overseas publicly-listed company or another qualified institution selected by such PRC subsidiary, to conduct the SAFE registration and other procedures with respect to the stock incentive plans on behalf of these participants. Such participants must also retain an overseas entrusted institution to handle matters in connection with their exercise of stock options, purchase and sale of corresponding stocks or interests, and fund transfer. In addition, the PRC agents are required to amend the SAFE registration with respect to the stock incentive plan if there is any material change to the stock incentive plan, the PRC agents or the overseas entrusted institution or other material changes. The PRC agents shall, on behalf of the PRC residents who have the right to exercise the employee share options, apply to SAFE or its local branches for an annual quota for the payment of foreign currencies in connection with the PRC residents’ exercise of the employee share options. The foreign exchange proceeds received by the PRC residents from the sale of shares under the stock incentive plans granted and dividends distributed by the overseas listed companies must be remitted into the bank accounts in the PRC opened by the PRC agents before distribution to such PRC residents. In addition, the PRC agents shall file each quarter the form for record-filing of information of the domestic individuals participating in the stock incentive plans of overseas listed companies with SAFE or its local branches.

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In addition, the SAT has issued certain circulars with respect to the employee share options. Under these circulars, our employee working in the PRC who exercise share options will be subject to PRC individual income tax. Our PRC subsidiary has the obligations to file documents relating to employee share options with the relevant tax authorities and to withhold individual income tax for those employees. If our employee fails to pay or we fail to withhold income tax in according to relevant laws and regulations, we may face sanctions imposed by the governmental authorities.

REGULATIONS ON DIVIDEND DISTRIBUTION

The principal laws and regulations regulating the distribution of dividends by foreign-invested enterprises in the PRC include the Company Law of the PRC (《中華人民共和國公司法》), as amended on October 27, 2005 and December 28, 2013, the Wholly Foreign-owned Enterprise Law of the PRC (中華人民共和國外資企業法) promulgated on April 12, 1986 and amended on October 31, 2000 and its implementation regulations promulgated on December 12, 1990 and subsequently amended on April 12, 2001, February 19, 2014, the Equity Joint Venture Law of the PRC (《中華人民共和國中外合資經營企業法》) promulgated on July 8, 1979 and subsequently amended on April 4, 1990, March 15, 2001 and its implementation regulations promulgated on September 20, 1983 and subsequently amended on July 22, 2001, February 19, 2014, and the Cooperative Joint Venture Law of the PRC (《中華人民共和國中外合作經營企業法》) promulgated on April 13, 1988 and amended on October 31, 2000 and its implementation regulations promulgated on September 4, 1995 and amended on February 19, 2014. Under the current regulatory regime in the PRC, foreign-invested enterprises in the PRC may pay dividends only out of their accumulated profit, if any, determined in accordance with PRC accounting standards and regulations. A PRC company is required to set aside as general reserves (法定公積金) at least 10% of its after-tax profit, until the cumulative amount of such reserves reaches 50% of its registered capital unless the provisions of laws regarding foreign investment otherwise provided. A PRC company shall not distribute any profits until any losses from prior fiscal years have been offset. Profits retained from prior fiscal years may be distributed together with distributable profits from the current fiscal year.

LAWS AND REGULATIONS ON TAXATION

Enterprise Income Tax

On March 16, 2007, the National People's Congress (全國人民代表大會) promulgated the Law of the PRC on Enterprise Income Tax (《中華人民共和國企業所得稅法》) (the "EIT Law") and on December 6, 2007, the State Council enacted the Regulations for the Implementation of the Law on Enterprise Income Tax (《中華人民共和國企業所得稅法實施條例》) (the "EIT Regulations"). The EIT Law and EIT Regulations came into effect on January 1, 2008. According to the EIT Law and EIT Regulations, taxpayers consist of resident enterprise and non-resident enterprises. Resident enterprises are defined as enterprises that are established in China in accordance with PRC laws, or that are established in accordance with the laws of foreign countries but whose actual or de facto control is administered from within the PRC. Non-resident enterprises are defined as enterprises that are set up in accordance with the laws of foreign countries and whose actual administration is conducted outside the PRC, but have established institutions or premises in the PRC, or have no such established institutions or premises but have income generated from inside the PRC. Under the EIT Law and EIT Regulations, a uniform corporate income tax of 25% generally applies to PRC resident enterprises. However, if non-resident enterprises have not formed permanent establishments or premises in the PRC, or if they have formed permanent establishment institutions or premises in the PRC but there is no actual relationship between the relevant income derived in the PRC and the established institutions or premises set up by them, enterprises income tax is set at the rate of 10% for their income sourced from inside in the PRC.

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The EIT Law provides that certain high and new technology enterprises are entitled to a reduced enterprise income tax rate of 15%. According to the Administrative Measures for the Determination of High and New Tech Enterprises (《高新技術企業認定管理辦法》) jointly promulgated by the Ministry of Science and Technology (科學技術部), the Ministry of Finance (財政部) (the “MOF”) and the State Administration of Taxation (國家稅務總局) (the “SAT”) on April 14, 2008 with retroactive effect from January 1, 2008, a high and new tech enterprise may apply for the tax benefits under the EIT Law, the EIT Regulations, the Law of the People’s Republic of China on the Administration of Tax Collection and the Detailed Rules on the Implementation of the Law of the People’s Republic of China on the Administration of Tax Collection. Once an enterprise obtains the high and new tech enterprise qualification, it may apply for the tax reduction or exemption to the competent tax authorities.

The Circular on Taxation Policies for Further Encouraging the Development of the Software and Integrated Circuit Industries (《關於進一步鼓勵軟件產業和集成電路產業發展企業所得稅政策的通知》), which was promulgated by the MOF and the SAT on April 20, 2012 with retroactive effect from January 1, 2011, provides that newly established integrated circuit design enterprises and eligible software enterprises, upon certification, shall be exempt from the enterprise income tax for the first two years of the preferential period, and shall be levied thereon at half of the statutory rate of 25% for the next three years until the expiration of the preferential period. The preferential period starts from the first profitable year before December 31, 2017. Linekong Entertainment obtained the Software Enterprise Certificate (軟件企業認定證書) on October 31, 2008 and was granted a renewed certificate on May 17, 2013, and has been subject to a preferential income tax rate of nil, 12.5%, 12.5% in 2011, 2012, 2013, respectively. Shouyoutong has obtained the Software Enterprise Certificate on October 19, 2011, and has been subject to a preferential income tax rate of nil, nil, 12.5% in 2011, 2012, 2013, respectively. Tianjin 8864 obtained the Software Enterprise Certificate on April 30, 2014, and based on the certificate, Tianjin 8864 has been subject to a preferential income tax of nil in 2013.

Business Tax

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

Value-added Tax

The Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例》) were promulgated by the State Council on December 13, 1993 and came into effect on January 1, 1994 which were subsequently amended on November 10, 2008 and came into effect on January 1, 2009. The Detailed Rules for the Implementation of the Provisional Regulations of the PRC on Value-added Tax (《中華人民共和國增值稅暫行條例實施細則》) were promulgated by the MOF and the SAT on December 15, 2008 which were subsequently amended on October 28, 2011 and came into effect on November 1, 2011 (collectively, the “VAT Law”). According to the VAT Law, all enterprises and individuals engaged in the sale of goods, the provision of processing, repair and replacement services, and the importation of goods within the territory of the PRC must pay value-added tax. For general VAT taxpayers selling or importing goods other than those specially listed in the VAT Law, the value-added tax rate is 17%.

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In November 2011, the MOF and the SAT promulgated the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改征增值稅試點方案》) (the “Pilot Plan”), which became effective from January 1, 2012. As approved by the State Council on July 25, 2012, this Pilot Plan was first launched in Shanghai and was expanded to ten other provinces and municipalities, among which, including Beijing and Tianjin, and upon the approval by the State Council on April 10, 2013, the Pilot Plan was expanded to nationwide from August 1, 2013. On December 12, 2013, the MOF and the SAT promulgated Circular on Including Railway Transport and Postal Services under the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《關於將鐵路運輸和郵政業納入營業稅改徵增值稅試點的通知》), which became effective from January 1, 2014 and included Implementation Rules on the Pilot Plan for Imposition of Value-Added Tax to Replace Business Tax (《營業稅改徵增值稅試點實施辦法》) (the “Pilot Rules”). According to the Pilot Rules, businesses in transportation industry, postal services and certain modern services industry (the “Pilot Industries”) in the PRC would pay value-added tax instead of business tax. The business of research and development and technical services, information technology services included in the Pilot Industries are subject to value-added tax rate of 6%.

Dividend Withholding Tax

The EIT Regulations provide that since January 1, 2008, an income tax rate of 10% will normally be applicable to dividends declared by a PRC resident enterprise to non-PRC resident investors which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends are derived from sources within the PRC.

Circular 698

Pursuant to the Circular on Strengthening the Administration of Enterprise Income Tax for Share Transfers by Non-PRC Resident Enterprises (《關於加強非居民股權轉讓所得企業稅管理的通知》) (the “SAT Circular 698”), issued by the SAT on December 10, 2009 with retroactive effect from January 1, 2008, where a non-resident enterprise transfers the equity interests of a PRC resident enterprise indirectly by disposing of the equity interests of an overseas holding company, or an Indirect Transfer, and the overseas holding company is located in a tax jurisdiction that: (i) has an effective tax rate, which refers to the effective tax on the gain derived from the disposition of equity interests of the overseas holding company, of less than 12.5% or (ii) does not impose income tax on the gain derived from the disposition of equity interests of the overseas holding company, the non-resident enterprise, being the transferor, must report to the relevant tax authority of the PRC resident enterprise this Indirect Transfer. Using a “substance over form” principle, the PRC tax authority may disregard the existence of the overseas holding company if it lacks a reasonable commercial purpose and was established for the purpose of reducing, avoiding or deferring PRC tax. As a result, gains derived from such Indirect Transfer may be subject to PRC withholding tax at a rate of up to 10%. SAT Circular 698 also provides that, where a non-PRC resident enterprise transfers its equity interests in a PRC resident enterprise to its related parties at a price lower than the fair market value, the relevant tax authority has the power to make a reasonable adjustment to the taxable income of the transaction. In addition, the PRC “resident enterprise” is required to provide necessary assistance to support the enforcement of SAT Circular 698.

On March 28, 2011, the SAT released the SAT Notice on Certain Issues Concerning the Administration of Enterprise Income Tax for Non-PRC Resident Enterprises (《國家稅務總局關於非居民企業所得稅管理若干問題的公告》) (the “SAT Public Notice 24”), to clarify several issues related to SAT Circular 698. SAT Public Notice 24 became effective on April 1, 2011. According to SAT Public Notice 24, the term “effective tax” refers to the effective tax on the gain derived from disposition of the

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equity interest of an overseas holding company; and the term “does not impose income tax” refers to the cases where the gain derived from disposition of the equity interest of an overseas holding company is not subject to income tax in the jurisdiction where the overseas holding company is a resident.

There is uncertainty as to the application of SAT Circular 698 and its related rules. For example, although the term “Indirect Transfer” is not clearly defined, it is understood that the relevant PRC tax authorities have the authority to request for information over a wide range of foreign entities that have no direct contact with the PRC. Moreover, the tax authority has not yet promulgated any formal provisions or made any formal announcement as to the procedure for reporting an Indirect Transfer to the relevant tax authority. In addition, there are not any formal interpretations concerning how to determine whether a foreign investor has adopted an abusive arrangement in order to reduce, avoid or defer PRC tax. SAT Circular 698 may be determined by the tax authorities to be applicable to our offshore restructuring transactions where non-resident investors were involved. The PRC tax authorities may pursue our offshore shareholders to conduct a filing regarding the transactions and request our PRC subsidiaries to assist the filing. As a result, we and our non-resident investors may become at risk of being taxed under SAT Circular 698 and may be required to spend valuable resources to comply with SAT Circular 698 or to establish that we and our non-resident enterprise investors should not be taxed under SAT Circular 698 for our previous and future restructuring, which may have a material adverse effect on our financial condition and results of operations or such non-resident investors’ investments in us.

Laws and Regulations on Labor and Social Security

Employment contracts

Pursuant to the PRC Labor Law (《中華人民共和國勞動法》) which was promulgated by the Standing Committee of the National People’s Congress on July 5, 1994 and became effective on January 1, 1995 and subsequently amended on August 27, 2009, the PRC Labor Contract Law (《中華人民共和國勞動合同法》) which was promulgated by the Standing Committee of the National People’s Congress on June 29, 2007 and became effective on January 1, 2008 and subsequently amended on December 28, 2012 and became effective on July 1, 2013 and its Implementing Regulations of the Employment Contracts Law (《勞動合同法實施條例》) which was promulgated by the State Council and became effective on September 18, 2008, labor contracts in written form shall be executed to establish labor relationships between employers and employees. Wages cannot be lower than local minimum wage. The employer must establish a system for labor safety and sanitation, strictly abide by state standards, and provide relevant education to its employees. Employees are also required to work in safe and sanitary conditions meeting State rules and standards, and carry out regular health examinations of employees engaged in hazardous occupations.

Employee funds

Under applicable PRC laws, rules and regulations, including the Social Insurance Law of the PRC (《中華人民共和國社會保險法》) which was promulgated by the Standing Committee of the National People’s Congress on October 28, 2010 and became effective on July 1, 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (《社會保險費征繳暫行條例》) which was promulgated by the State Council and became effective on January 22, 1999, Interim Measures concerning the Maternity Insurance (《企業職工生育保險試行辦法》) which was promulgated by the Ministry of Labor on December 14, 1994 and became effective on January 1, 1995, the Regulations on Occupational Injury Insurance (《工傷保險條例》) which was promulgated by the State Council on April 27, 2003 and became effective on January 1, 2004 and subsequently amended on December 20, 2010 and became effective on January 1, 2011, the Regulations on Unemployment Insurance (《失業保險條例》) which was promulgated

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by the State Council on January 22, 1999, and the Regulations on the Administration of Housing Accumulation Funds (《住房公積金管理條例》) which was promulgated by the State Council and become effective on April 3, 1999 and amended on March 24, 2002, employers are required to contribute, on behalf of their employees, to a number of social security funds, including funds for basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. These payments are made to local administrative authorities and any employer who fails to contribute may be fined and ordered to make good the deficit within a stipulated time limit.

M&A RULES AND OVERSEAS LISTINGS

On August 8, 2006, six PRC governmental and regulatory agencies, including Ministry of Commerce of the PRC (中華人民共和國商務部) (the “MOFCOM”) and China Securities Regulatory Commission (中國證券監督管理委員會) (the “CSRC”), promulgated the Rules on Acquisition of Domestic Enterprises by Foreign Investors (《關於外國投資者並購境內企業的規定》) (the “M&A Rules”), a new regulation with respect to the mergers and acquisitions of domestic enterprises by foreign investors that became effective on September 8, 2006 and revised on June 22, 2009. The M&A Rules, among other things, purport to require that an offshore special vehicle, or a special purpose vehicle, formed for listing purposes and controlled directly or indirectly by PRC companies or individuals, shall obtain the approval of the CSRC prior to the listing and trading of such special purpose vehicle’s securities on an overseas stock exchange, especially in the event that the special purpose vehicle acquires shares of or equity interests in the PRC companies in exchange for the shares of offshore companies.

The application of the M&A Rules remains unclear. Based on the understanding on the current PRC laws, rules and regulations and the M&A Rules of our PRC Legal Advisor, Fangda Partners, prior approval from the CSRC is not required under the M&A Rules for our Listing because (a) there was no acquisition of a “PRC domestic company” as such term is defined under the M&A Rules, and (b) there is no provision that clearly classifies the Contractual Arrangements as a transaction regulated by the M&A Rules. However, as there has been no official interpretation or clarification of the M&A Rules, there is uncertainty as to how this regulation will be interpreted or implemented. Our PRC Legal Advisor also advised us that the relevant PRC governmental authorities, including the CSRC, may hold a different view from our PRC Legal Advisor.

Considering the uncertainties that exist with respect to the issuance of new laws, regulations or interpretation and implementing rules, the opinion of our PRC Legal Advisor, Fangda Partners, summarized above, is subject to change. If the CSRC or another PRC regulatory agency subsequently determines that prior CSRC approval was required, we may face regulatory actions or other sanctions from the CSRC or other PRC regulatory agencies.

REGULATIONS ON LINEKONG KOREA

Linekong Korea has been in the business of publishing our games in South Korea since its inception in April 2014. The business operations of Linekong Korea include marketing and promotion of our games, distributing our games through distribution channels, and operating our games in South Korea.

Under the Game Industry Promotion Act of Korea (the “GIPA”) promulgated by Korean Government in April 2006, a person will be considered as engaging in a “game distribution business” if such person imports or supplies games, the copyrights of which are owned and managed by the person, to game service providers in South Korea. Such person engaging in a game distribution business is required to be registered as a game distributor. The business operations of Linekong Korea are likely to be considered as including a game distribution business. While there is uncertainty as to whether a game

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distributor registration would be required in the case of open market distribution, such as through Apple Inc.'s App Store or Google Play, Linekong Korea registered as a game distributor in May 2014 in order to ensure its business operations are in compliance with the GIPA.

Under the Act on the Consumer Protection in the Electronic Commerce Transactions, etc. of Korea promulgated by Korean Government in March 2002, a person will be considered as a “mail order distributor” if such person provides information on the sale of goods or services by means of mail or telecommunications and selling goods or services on consumer’s order. Linekong Korea is likely to be considered as a mail order distributor and has been registered as a mail order distributor since April 2014.

Other than the registrations according to the Korean laws described above, Linekong Korea is not required to obtain any key permit or license for its business operations in South Korea and is not in violation of laws and regulations in South Korea that have a material impact on our business in South Korea according to the corporate documents and other records.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

OUR CORPORATE HISTORY

Our Group's history can be traced back to early 2007, when our original founders, Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Zhang Yuyu, Mr. Wang Lei and Mr. Wang Wei decided to establish an online game company. All of our original founders had worked in Internet-related industries in China before they founded our business.

As the first step of our corporate existence, Linekong Entertainment, a domestic PRC company, was established in March 2007 by one of our original founders and another individual. Through a series of subsequent equity interests transfers, Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Zhang Yuyu, Mr. Wang Lei and Mr. Wang Wei became the five shareholders of Linekong Entertainment in May 2007 and held 54.54%, 13.64%, 10.91%, 13.64% and 7.27% equity interests in Linekong Entertainment, respectively. The initial registered capital of Linekong Entertainment was RMB30,000 and was paid by our original founders using their personal funds.

Shortly after establishing Linekong Entertainment, our original founders discussed and agreed with the Series A Investors on the terms of their investment in us. Due to PRC restrictions on foreign investments in online game business, the Series A Investors could not invest directly in Linekong Entertainment and it would take time to establish an offshore holding structure that allows the Series A Investors to complete their investment. As a result, our original founders, the Series A Investors and Linekong Entertainment entered into a letter agreement (the "Letter Agreement") in April 2007 that documented the agreed terms of the Series A Investors' investment in us, including the purchase price to be paid by the Series A Investors which reflected the start-up nature of our business and the uncertainty of our success at the time. Our original founders also agreed in the Letter Agreement to set up an offshore holding structure to control Linekong Entertainment through contractual arrangements.

To satisfy the interim funding needs of Linekong Entertainment before the Series A Investors could complete their investments in us, Beijing Lingxing, a domestic PRC company and an independent third party, agreed to provide bridge financing in the form of a capital contribution of RMB9,970,000 to Linekong Entertainment in July 2007 in return for 99.7% equity interest in Linekong Entertainment with an understanding that our original founders would purchase such equity interest from Beijing Lingxing after they have obtained necessary funding. Pursuant to such understanding, Beijing Lingxing transferred its 99.7% equity interest in Linekong Entertainment to our original founders in January 2008 and our Group provided loans to our original founders to enable them to pay the transfer price to Beijing Lingxing.

Our Company was incorporated as an exempted company with limited liability in the Cayman Islands on May 24, 2007. In March 2008, our Company issued ordinary shares to our original founders and Mr. Wu Rui, who joined us as a project director, at a total subscription price of US\$2,511.1, which was equal to the par value of the ordinary shares issued to them. As a result, Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Zhang Yuyu, Mr. Wang Lei, Mr. Wang Wei and Mr. Wu Rui became the shareholders of our Company holding 54.88%, 13.27%, 10.62%, 13.27%, 7.08% and 0.88%, respectively, of the total outstanding shares of our Company.

In April 2008, our Company established Beijing Linekong Online as a wholly owned subsidiary in the PRC and Beijing Linekong Online entered into the contractual arrangements with Linekong Entertainment and all of its shareholders as a result of which Beijing Linekong Online started to control the operation and enjoy all the economic benefits of Linekong Entertainment. In preparation for the Listing, the contractual arrangements were amended and restated in January 2014 and further amended in November 2014. For further details of the existing contractual arrangements and previous contractual arrangements and the differences, please refer to the section headed "Contractual Arrangements" in this

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

prospectus. The establishment of our offshore holding structure, including the establishment of our Company and Beijing Linekong Online and execution of the contractual arrangements among Beijing Linekong Online, Linekong Entertainment and its shareholders, was deemed as a reorganization under IFRS as described in the Accountant's Report contained in Appendix I to this prospectus. Beijing Linekong Online also entered into similar contractual arrangements with another company, Beijing Huanteng, and its shareholders in April 2008. However, Beijing Huanteng never engaged in any business activities in its history and, as a result, such contractual arrangements were terminated in March 2014.

Shortly after we established our offshore holding structure, the Series A Investors completed their investments in our Company substantially on the terms set forth in the Letter Agreement and the Letter Agreement was superseded by the Series A Preferred Shares Purchase Agreement. We issued a total of 1,777,778 Series A Preferred Shares to the Series A Investors for a total subscription price of US\$2 million.

We subsequently raised three more rounds of equity financing, in the forms of Series B, Series C and Series D Preferred Shares, from investors outside of the PRC. In May 2008, we issued a total of 1,061,360 Series B Preferred Shares to the Series B Investors for a total subscription price of US\$16 million. The issuance price for the Series B Preferred Shares was much higher than the Series A Preferred Shares because we had successfully started our business operation and had much better business prospect in May 2008 than April 2007. In January 2014, we issued a total of 622,637 Series C Preferred Shares to the Series C Investors for a total subscription price of US\$30 million. Shortly after the Series C financing, our Company implemented the Share Subdivision. In May 2014, we issued a total of 14,793,523 Series D Preferred Shares to the Series D Investor for a total subscription price of US\$20 million. The Preferred Shares will be automatically converted into our Shares upon the Listing. For further details of each round of equity financing, please refer to “— Pre-IPO Investments” below.

In connection with our Series C equity financing, our Founders, the Series A Investors and the Series B Investors sold some of their ordinary shares, Series A Preferred Shares and Series B Preferred Shares to the Series C Investors in January 2014. The sell down by the Founders, the Series A Investors and the Series B Investors were conducted in consideration of the initial terms of the investment by the Series A Investors and the Series B Investors in 2008 and in view of realizing part of the investments initially made by the Series A Investors and Series B Investors whilst enabling the Series A Investors and the Series B Investors to continue to participate and maintain a stake and shareholding interests in our Company. In addition, the Founders, the Series A Investors and the Series B Investors tapped the opportunity of broadening the shareholder base of our Company by introducing the Series C Investors. Notwithstanding the sell down, the Founders continued to hold a controlling interest of our Company and held approximately 30.13% of the total issued share capital of our Company as of the date of this prospectus.

Due to departures of two of our original founders, Mr. Wang Lei and Mr. Wang Wei, as well as the recruitment and departures of officers in our history, there have been transfers of the ordinary shares of our Company by the departed persons to certain Founders as well as transfers of the ordinary shares by Mr. Wang Feng to our newly hired officers in the history of our Company.

As a result of the above, there have been a series of changes in the shareholding structure of our Company, which are set forth in details under “— Information on Members of Our Group — Our Company” below.

Linekong Entertainment established several major subsidiaries in the PRC from 2007 to 2014. For further details of these subsidiaries, please refer to “— Information on Members of Our Group — Subsidiaries of Linekong Entertainment” below.

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To expand our business into other overseas markets, Linekong Entertainment established a wholly owned subsidiary, Linekong HK, in Hong Kong in April 2012. In January 2014, our Company established Linekong Holdings in the British Virgin Islands and decided to use it as the holding company of all of our overseas business. Consistent with the decision and to enhance control over Linekong HK, Linekong Entertainment transferred all of its shares in Linekong HK to Linekong Holdings in July 2014.

To expand our business into South Korea, we established Linekong Korea in South Korea in April 2014 to engage in game publishing business and established Linekong Asia in Hong Kong as the immediate parent company of Linekong Korea.

SAFE Circular 37

As disclosed in the section headed “Regulatory Overview — Regulations on Foreign Exchange — SAFE Circular 37” in this prospectus, the SAFE Circular 37, which replaced the former SAFE Circular 75, requires PRC residents to register with local branches of SAFE with regards to their direct establishment or indirect control of an offshore entity established for the purpose of overseas investment and financing and hold such PRC residents’ legally owned assets or equity investments in domestic enterprises or offshore assets or interests (referred to as a “special purpose vehicle” in SAFE Circular 37). SAFE Circular 37 further requires amendment to the registration in the event of any significant changes with respect to the special purpose vehicle. Our PRC Legal Advisor has confirmed that each of the Founders, all being PRC residents and beneficial owners of our Company, has registered at SAFE in respect of his or her investment in our Group and as a result of the Reorganization of our Group in accordance with PRC laws.

OUR BUSINESS AND CORPORATE DEVELOPMENT MILESTONES

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

November 2007	<ul style="list-style-type: none">• We commercialized our first online game, Heaven Sword & Dragon Sabre (倚天劍與屠龍刀), a licensed game, and started our online game business in the PRC by distributing our games through www.linekong.com
January 2010	<ul style="list-style-type: none">• We commercialized our first self-developed game, Journey to the West (西遊記), a self-developed game, which was also one of our most successful client-based game in terms of revenue
March 2010	<ul style="list-style-type: none">• We expanded our business outside the PRC by licensing Journey to the West (西遊記) in Vietnam
March 2011	<ul style="list-style-type: none">• We entered the webgame market by commercializing our first self-developed webgame, Westward Journey (飛天西遊)
May 2011	<ul style="list-style-type: none">• We commercialized a self-developed 3D RPG client-based game, Warrior King (傭兵天下)
December 2011	<ul style="list-style-type: none">• We established 8864.com, which replaced www.linekong.com as our own online distribution channel.
August 2012	<ul style="list-style-type: none">• We commercialized a licensed game, Daybreak (黎明之光), the first online game that we offer both client-based version and web version

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

- | | |
|---------------|--|
| October 2012 | <ul style="list-style-type: none">• We commercialized a self-developed game, Three Kingdoms (三國演義), one of our webgames that is still in operation |
| March 2013 | <ul style="list-style-type: none">• We commercialized Excalibur (王者之劍), a self-developed 2D ACT game and our first mobile game |
| December 2013 | <ul style="list-style-type: none">• We commercialized Sword of Heaven (蒼穹之劍), a self-developed 3D RPG mobile game |
| March 2014 | <ul style="list-style-type: none">• We commercialized Blade of God (神之刃), a licensed 3D CCG mobile game |
| April 2014 | <ul style="list-style-type: none">• We published the Korean version of Sword of Heaven (蒼穹之劍) through our own subsidiary in South Korea |

The following table highlights the key milestones in the corporate development of our Group since inception:

- | | |
|--------------|--|
| March 2007 | <ul style="list-style-type: none">• Our first PRC operating entity, Linekong Entertainment was established |
| May 2007 | <ul style="list-style-type: none">• Our Company was established in the Cayman Islands |
| April 2008 | <ul style="list-style-type: none">• Our Company established Beijing Linekong Online as a wholly owned subsidiary in the PRC• Beijing Linekong Online entered into contractual arrangements with Linekong Entertainment and its shareholders to control Linekong Entertainment• Our Company completed Series A equity financing |
| May 2008 | <ul style="list-style-type: none">• Our Company completed Series B equity financing |
| January 2014 | <ul style="list-style-type: none">• Our Company completed Series C equity financing• We established Linekong Holdings, a wholly owned subsidiary to hold all of our overseas business |
| March 2014 | <ul style="list-style-type: none">• We established Linekong Asia, a wholly owned subsidiary to hold the equity interest of Linekong Korea |
| April 2014 | <ul style="list-style-type: none">• We established Linekong Korea as a wholly owned subsidiary to conduct business in South Korea |
| May 2014 | <ul style="list-style-type: none">• Our Company completed Series D equity financing |

For further details on our corporate history and shareholding changes of the members of our Group since inception, please refer to the section headed “— Information on Members of Our Group” below.

The corporate and shareholding structure of our Company and our subsidiaries immediately before implementation of the Reorganization is set out on page 118 below.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

REORGANIZATION

The companies comprising our Group underwent the Reorganization to rationalize our Group's structure in preparation for the Listing. The following table highlights the key steps in the Reorganization:

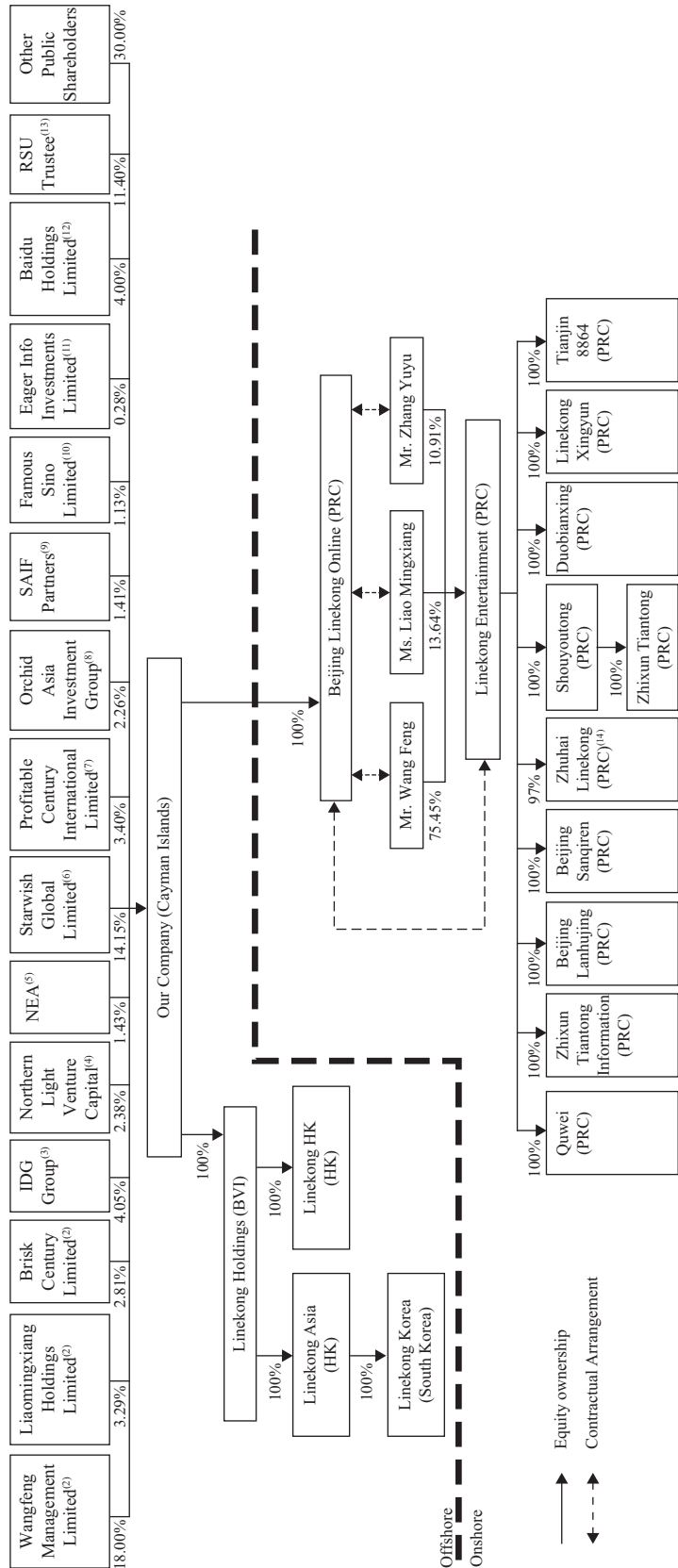
January 2014	Linekong Holdings was incorporated in the British Virgin Islands on January 8, 2014 as a limited company to act as an intermediate holding company of all of the Group's overseas business.
January 2014	In view of two former registered shareholders of Linekong Entertainment, namely Mr. Wang Wei and Mr. Wang Lei, selling their respective equity interests in Linekong Entertainment to Mr. Wang Feng, we amended certain terms of the previous agreements underlying the original contractual arrangements with Linekong Entertainment and also entered into new and amended agreements underlying the Contractual Arrangements currently in effect on January 16, 2014. Such amendments were made in order to comply with relevant GEM Listing Rules and guidance from the Stock Exchange, to further strengthen our control over Linekong Entertainment and to enhance the rights conferred upon our Group over the assets and economic benefits of Linekong Entertainment. Please refer to the disclosures in the section headed "Contractual Arrangements" in the prospectus for the details of the Contractual Arrangements.
March 2014	Linekong Asia was established in Hong Kong as a wholly-owned subsidiary of Linekong Holdings on March 27, 2014 to act as an investment holding company of our Group.
April 2014	Linekong Korea was incorporated in South Korea on April 16, 2014, as a wholly-owned subsidiary of Linekong Asia, and is primarily engaged in game publishing business in South Korea.
July 2014	As part of the Reorganization, Linekong Entertainment transferred the equity interest it held in Linekong HK to Linekong Holdings on July 8, 2014. Accordingly, Linekong HK became a direct wholly-owned subsidiary of Linekong Holdings and Linekong Holdings became the intermediate holding company of all offshore companies responsible for the overseas business of our Group.

CORPORATE AND SHAREHOLDING STRUCTURE

The following charts illustrate our corporate and shareholding structure (1) immediately before implementation of the Reorganization; (2) immediately after completion of Reorganization but prior to completion of the Global Offering and (3) immediately after the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of any options which may be granted under the Share Option Scheme):

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(3) Immediately after the completion of the Global Offering:



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Notes:

- (1) The shareholding percentages as stated in the corporate and shareholding structure charts above are calculated based on the assumption that all Series A, Series B, Series C and Series D Preferred Shares will be converted into the Shares on an one-for-one basis immediately before the completion of the Global Offering and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme and any Shares which may be sold by the Over-allotment Option Grantors pursuant to the exercise of the Over-allotment Option. IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P., Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Venture 2008, Limited Partnership, being the Over-allotment Option Grantors, are expected to grant the Over-allotment Option to the International Underwriters, exercisable by the Joint Global Coordinators (on behalf of the International Underwriters). Pursuant to the Over-allotment Option, each of IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P., Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Venture 2008, Limited Partnership, may be required to sell up to 10,261,000, 2,097,000, 956,000, 2,080,500, 1,245,000 and 3,000 existing Shares at the Offer Price upon the Over-allotment Option being exercised in full. Assuming that the Over-allotment Option is being exercised in full, IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P., IDG-Accel China Investors L.P., Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Venture 2008, Limited Partnership will hold a total of 1,295,500 Shares, 264,500 Shares, 121,000 Shares, 6,726,000 Shares, 4,026,000 Shares and 10,060 Shares, respectively, representing approximately 0.35%, 0.07%, 0.03%, 1.82%, 1.09% and less than 0.00004% of the total issued share capital of our Company, respectively, after the Global Offering and the exercise of the Over-allotment Option.
- (2) Each of Wangfeng Management Limited, Liaomingxiang Holdings Limited and Brisk Century Limited is a company incorporated in the British Virgin Islands and is wholly-owned by Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu, respectively.
- (3) IDG Group consists of three entities, namely IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., each of which is a limited partnership formed under the laws of Cayman Islands. IDG Group is engaged in venture investment focusing on early stage and TMT-related projects in China. Other than their investment in our Group, they and their ultimate beneficial owners are parties independent of our Company and our connected persons.
- (4) Northern Light Venture Capital (a China-focused venture capital firm), through Northern Light Venture Capital II, Ltd., is one the financial investors for the Series B Preferred Shares. Other than its investment in our Group, Northern Light Venture Capital II, Ltd. and its ultimate beneficial owners are parties independent of our Company and our connected persons.
- (5) New Enterprise Associates (NEA), a global venture capital firm, through two entities, namely New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership, are the financial investors for the Series B Preferred Shares. Other than their investment in our Group, they and their ultimate beneficial owners are parties independent of our Company and our connected persons.
- (6) Starwish Global Limited, is a special purpose vehicle established by a fund, which is managed by Fosun Group (a group which engages in insurance, industrial operations, investment and asset management) for the purpose of investing in the Ordinary Shares and Preferred Shares of the Company. Other than its investment in our Group, Starwish Global Limited, the fund, and Fosun Group and their ultimate beneficial owners are parties independent of our Company and our connected persons.
- (7) Profitable Century International Limited, is a special purpose vehicle established by Ms. Lo Fui Chu for the purpose of investing in the Ordinary Shares and Preferred Shares of the Company. Other than its investment in our Group, Profitable Century International Limited and its ultimate beneficial owner, Ms. Lo Fui Chu, are parties independent of our Company and our connected persons.

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- (8) Orchid Asia Investment Group (a private equity firm), through two entities, namely Orchid Asia V, L.P. and Orchid Asia V Co-Investment, Limited, is one of our financial investors for the Ordinary Shares and Preferred Shares of the Company. Other than their investment in our Group, they and their ultimate beneficial owners are parties independent of our Company and our connected persons.
- (9) SAIF Partners (a private equity firm), through its investment entity, namely SAIF IV Hong Kong (China Investments) Limited, invested in the Ordinary Shares and Preferred Shares of the Company. Other than its investment in our Group, SAIF IV Hong Kong (China Investments) Limited, SAIF Partners and their ultimate beneficial owners are parties independent of our Company and our connected persons.
- (10) Famous Sino Limited is a private investment company and its ultimate beneficial owner is Mr. Wu Guangze. Other than its investment in our Group, Famous Sino Limited and its ultimate beneficial owner are parties independent of our Company and our connected persons.
- (11) Eager Info Investments Limited, a company incorporated in the British Virgin Islands, is principally engaged in investments and its ultimate beneficial owner is Zhao Xiaohong. Other than its investment in our Group, Eager Info Investments Limited and its ultimate beneficial owner are parties independent of our Company and our connected persons.
- (12) Baidu Holdings Limited is a subsidiary of Baidu, Inc., a company listed on Nasdaq Stock Market (NASDAQ: BIDU), which principally engaged in providing Internet search and online community services. To the best knowledge of our Company and our Directors, other than its investment in our Group, Baidu Holdings Limited is independent of our Company and our connected persons.
- (13) On March 21, 2014, our Company allotted a total of 42,161,541 Shares, representing approximately 14.25% and approximately 11.4% of the total issued share capital of the Company immediately prior to and immediately after the completion of the Global Offering, respectively, to Premier Selection Limited, the RSU Nominee, a company wholly-owned by the RSU Trustee which holds the Shares underlying the RSUs granted and to be granted for the benefit of eligible participants pursuant to RSU Scheme.
- (14) The remaining 3% of the equity interests in Zhuhai Linekong is held by an individual named Yang Yingfeng (楊影峰). Other than the minority equity interest held by Mr. Yang in Zhuhai Linekong, he and his associates are independent of the Company and its connected persons. Mr. Yang does not hold any directorship within the Group.

INFORMATION ON MEMBERS OF OUR GROUP

We set forth below certain information on each member of our Group that made material contribution to our results of operations during the Track Record Period.

Our Company

Our Company was incorporated in the Cayman Island on May 24, 2007 as an exempted company with limited liability, with principal function as an investment holding company. At the time of our incorporation, our Company was authorized to issue a maximum of 50,000,000 shares with par value of US\$0.001 per share, and one ordinary share was issued to N.D. NOMINEES LTD. On the same day of the incorporation of our Company, N.D. NOMINEES LTD. transferred such one share to CIA NOMINEES LTD.

In March 2008, our Company issued 1,377,776 ordinary shares to Mr. Wang Feng, 333,333 ordinary shares to Ms. Liao Mingxiang, 333,333 ordinary shares to Mr. Wang Lei, 266,667 ordinary shares to Mr. Zhang Yuyu, and 177,778 ordinary shares to Mr. Wang Wei. At the same time, CIA NOMINEES LTD. transferred its one ordinary share of our Company to Mr. Wang Feng, and our Company issued and awarded 22,222 ordinary shares to Mr. Wu Rui, who joined us as a project director, in return for and subject to his continuing service to the Group.

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

In April 2008, the Series A Investors subscribed for a total of 1,777,778 Series A Preferred Shares at a total consideration of US\$2 million. For further information about the Series A investment, please see “— Pre-IPO Investments — Series A Investment” below. In connection with the Series A investment, Mr. Wang Feng agreed that 44,444 ordinary shares of our Company held by him should be reserved for and transferred to employees, officers, directors, consultants or advisers of the Group when and as determined by the board of directors of our Company.

Also in connection with the Series A investment, our original founders entered into a share restriction agreement (“Share Restriction Agreement”) with the Series A Investors and our Company in April 2008, pursuant to which all ordinary shares of our Company held by our original founders and Mr. Wu Rui became restricted shares (the “Restricted Shares”) that were subject to vesting conditions and repurchase right of our Company at par value of such shares until they became vested. The Restricted Shares would automatically vest and be released from the restrictions as to 25% thereof on the first, second, third and fourth anniversary of (i) the date of the Share Restriction Agreement with respect to our original founders (other than Mr. Wang Wei) and Mr. Wu Rui, who were employed by our Group as of the date of the agreement, and (ii) the date of commencement of employment with our Group with respect to Mr. Wang Wei, who was not employed by our Group as of the date of the agreement. All of the Restricted Shares have either vested and become unrestricted or forfeited as of the date of this prospectus.

In May 2008, Mr. Wu Rui departed us for personal reasons and, as a result, he was required to forfeit all of the 22,222 ordinary shares of the Company held by him pursuant to the Share Restriction Agreement.

In May 2008, the Series B Investors subscribed for a total of 1,061,360 Series B Preferred Shares at a total consideration of US\$16 million. For further information about the Series B investment, please see “— Pre-IPO Investments — Series B Investment” below.

In August 2008, Mr. Lu Chao joined us as an officer and we decided to award 44,444 ordinary shares of our Company to him in return for his service to our Group. Mr. Wang Feng then transferred the 44,444 reserved ordinary shares held by him to Mr. Lu Chao at a nominal consideration of US\$1. At the same time, we decided to award additional shares to Mr. Wang Feng in consideration of his service for the Group and therefore instructed Mr. Wu Rui to transfer the 22,222 ordinary shares, which he was required to forfeit, to Mr. Wang Feng at a nominal consideration of US\$1. Such share transfers from Mr. Wang Feng to Mr. Lu Chao and from Mr. Wu Rui to Mr. Wang Feng were completed in March 2009.

While Mr. Wang Wei, one of our original founders, planned to join us as an officer and employee, the plan was never carried out. As a result, all of the Restricted Shares held by Mr. Wang Wei were forfeited according to the Share Restriction Agreement as he was never employed by our Group. We decided to award such shares to Mr. Wang Feng in consideration of his service for the Group. As a result, Mr. Wang Wei transferred the 177,778 shares held by him to Mr. Wang Feng at a consideration of US\$1 in June 2010.

In October 2011, Mr. Wang Lei, one of our original founders, decided to resign as an officer and employee of the Group. In December 2012, Mr. Wang Lei transferred 77,490 ordinary shares held by him to Mr. Wang Feng, 11,255 ordinary shares held by him to Ms. Liao Mingxiang, and 77,921 ordinary shares held by him to Mr. Zhang Yuyu, all at a consideration of US\$1. Mr. Wang Lei later transferred his remaining 166,667 ordinary shares of our Company as well as the equity interest he held in Linekong Entertainment at a total consideration of approximately RMB9.66 million to Mr. Wang Feng in November 2013.

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In November 2011, Mr. Lu Chao resigned to pursue other business. Pursuant to an agreement between Mr. Lu Chao and Ms. Liao Mingxiang, Mr. Lu Chao transferred the 44,444 ordinary shares of our Company held by him to Ms. Liao Mingxiang at a consideration of RMB2.15 million in December 2013.

In January 2014, the Series C Investors subscribed for a total of 622,637 Series C Preferred Shares of our Company at a total consideration of US\$30 million. Concurrent with the Series C Preferred Shares issuances, Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu sold 113,086 ordinary shares, 84,814 ordinary shares and 84,814 ordinary shares, respectively, to the Series C Investors at a price of approximately US\$34.0110 per ordinary share, and transferred their remaining ordinary shares to their respective holding companies. Also concurrent with the Series C Preferred Shares issuances, the Series B Investors and the Series A Investors sold an aggregate of 848,142 Series A Preferred Shares and 339,257 Series B Preferred Shares to the Series C Investors at a price of approximately US\$34.0110 per share. For further information about the Series C investment, please see “— Pre-IPO Investments — Series C Investment” below.

In January 2014, we implemented the Share Subdivision whereby each of our ordinary shares, Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares, each with par value of US\$0.001 per share, was subdivided into 40 shares of the same class, each with par value of US\$0.000025 per share.

In March 2014, we adopted an RSU Scheme in order to incentivize our Directors, senior management, consultants, advisors and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. On March 21, 2014, 42,161,541 Shares in respect of the RSUs granted and to be granted were issued and allotted to the RSU Nominee, which holds the underlying Shares for the benefit of eligible participants pursuant to the RSU Scheme. The principal terms of the RSU Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV to this prospectus.

In March 2014, our Company changed its name from Linekong International Co., Ltd. to its current name, Linekong Interactive Co., Ltd.

In May 2014, Series D Investor subscribed for 14,793,523 Series D Preferred Shares of our Company at a total consideration of US\$20 million. For further information about the Series D investment, please see “— Pre-IPO Investments — Series D Investment” below.

Beijing Linekong Online

Beijing Linekong Online was established in the PRC on April 14, 2008 as a wholly foreign owned enterprise by our Company with an initial registered capital of US\$1.17 million. The initial registered capital of Beijing Linekong Online was fully paid by our Company in June 2008. The registered capital of Beijing Linekong Online was increased to US\$16.87 million in August 2008 and the increased registered capital has been fully paid by our Company. Our Company has always held 100% equity interest in Beijing Linekong Online. Beijing Linekong Online was established for the purpose of controlling Linekong Entertainment through the Contractual Arrangements and provides technology consulting services to Linekong Entertainment pursuant to the Contractual Arrangements.

Linekong Entertainment

Linekong Entertainment is a limited liability company established in the PRC on March 30, 2007. Linekong Entertainment had an initial registered capital of RMB30,000. Mr. Wang Lei and Ms. Guo Li paid the initial registered capital and became 10% and 90% equity owner, respectively, of Linekong

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Entertainment. In April 2007, Mr. Zhu Chunhua, a family member of Ms. Liao Mingxiang, acquired 10% equity interest in Linekong Entertainment from Ms. Guo Li. In May 2007, Mr. Zhu Chunhua transferred the 10% equity interest in Linekong Entertainment to Ms. Liao Mingxiang, and Ms. Guo Li transferred 54.54%, 3.64%, 3.64%, 10.91% and 7.27% equity interest in Linekong Entertainment to Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Wang Lei, Mr. Zhang Yuyu and Mr. Wang Wei, respectively. As a result, Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Wang Lei, Mr. Zhang Yuyu and Mr. Wang Wei became 54.54%, 13.64%, 13.64%, 10.91% and 7.27% equity owner, respectively, of Linekong Entertainment. No consideration was paid through such equity interests transfers.

In July 2007, Beijing Lingxing made a capital contribution of RMB9,970,000 to Linekong Entertainment and increased Linekong Entertainment's registered capital to RMB10 million. As a result, Linekong Entertainment became 99.7% owned by Beijing Lingxing, 0.16362% by Mr. Wang Feng, 0.04092% by Ms. Liao Mingxiang, 0.04092% by Mr. Wang Lei, 0.03273% by Mr. Zhang Yuyu and 0.02181% by Mr. Wang Wei.

In January 2008, Beijing Lingxing transferred 54.37638%, 13.59908%, 13.59908%, 7.24819% and 10.87727% equity interest it held in Linekong Entertainment to Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Wang Lei, Mr. Wang Wei and Mr. Zhang Yuyu, respectively, at consideration of RMB9,970,000 in total. As a result, the shareholding structure of Linekong Entertainment was restored to the status before the capital contribution by Beijing Lingxing.

In connection with the transfers of their remaining ordinary shares of our Company to the Founders in June 2010 and November 2013, respectively, Mr. Wang Wei transferred his 7.72% equity interest in Linekong Entertainment to Mr. Wang Feng at nil consideration which was completed in August 2010, and Mr. Wang Lei transferred his 13.64% equity interest in Linekong Entertainment to Mr. Wang Feng along with the 166,667 ordinary shares of our Company at a total consideration of approximately RMB9.66 million and such transfer was completed in January 2014.

As of the Latest Practicable Date, Linekong Entertainment was held by Mr. Wang Feng as to 75.45%, Ms. Liao Mingxiang as to 13.64% and Mr. Zhang Yuyu as to 10.91%. We had completed all necessary registration with relevant governmental authorities required for all changes in the registered capital of Linekong Entertainment and transfers of the equity interests between and among the then relevant registered shareholders of Linekong Entertainment since its establishment.

Linekong Entertainment is a PRC operating entity of us that holds relevant licenses we need for our business in China, and is mainly responsible for game publishing, operation and game research and development. We have, through our wholly-owned subsidiary, Beijing Linekong Online, entered into a series of contractual arrangements with Linekong Entertainment and its shareholders to assert management control over the operations of our business conducted through Linekong Entertainment and its subsidiaries, and to enjoy all economic benefits of Linekong Entertainment and its subsidiaries. For further details about the contractual arrangements, please refer to the section headed "Contractual Arrangements" in this Prospectus.

Subsidiaries of Linekong Entertainment

As of the Latest Practicable Date, Linekong Entertainment had five subsidiaries in the PRC that made material contribution to our results of operations during the Track Record Period and certain information regarding these entities are set forth below. The other five subsidiaries of Linekong Entertainment which are not included in the list below are dormant entities and no business has been carried out by these subsidiaries during the Track Record Period. We intend to use these dormant subsidiaries (including the three operating subsidiaries mentioned below which became dormant) on a

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project basis in the future and different subsidiaries may be responsible for game operations, research and development in the future. Using specific project-based companies for operating new games to be launched by our Company would, subject to relevant approvals and licenses granted by relevant regulatory authorities, entitle us to enjoy greater tax benefits as a result of the preferential tax rates generally granted to software and/or high and new technology enterprises. In the event that there is a commencement of business of any of these dormant subsidiaries, we will ensure that the relevant subsidiary will only carry out such game operation and ancillary business which would otherwise be prohibited or restricted to be carried out by foreign invested entities under relevant PRC laws and regulations. In addition, in the event of the commencement of business of any of these dormant subsidiaries of Linekong Entertainment or should there be any material change to the principal business activities of each of these dormant subsidiaries of Linekong Entertainment, we undertake to disclose the relevant details regarding such change of the relevant subsidiary of Linekong Entertainment in our interim and annual reports subsequent to Listing as long as the Contractual Arrangements remain effective. Going forward, it is intended that Linekong Entertainment and its relevant operating subsidiaries will continue to develop and operate new games on a project basis. Moreover, to the extent permissible under PRC laws and regulations and not otherwise affecting our ability to maintain and renew the operating licenses and permits of Linekong Entertainment and its operating subsidiaries as required by relevant PRC government authorities, it is intended that ancillary research and development activities shall be carried out by Beijing Linekong Online.

Name	Establishment Date	Date of Commencement of Business	Registered Capital	Equity Ownership as of the Date of the Prospectus	Principal Business Activities
Beijing Sanqiren	December 7, 2007	December 7, 2007	RMB100,000	100% held by Linekong Entertainment	Game research and development ⁽¹⁾
LinekongXingyun	January 16, 2008	January 16, 2008	RMB100,000	100% held by Linekong Entertainment	Game research and development ⁽¹⁾
Zhuhai Linekong	October 30, 2008	October 30, 2008	RMB10,000,000	97% held by Linekong Entertainment and the remaining 3% held by Mr. Yang Yingfeng, an independent third party	Game research and development ⁽¹⁾
Shouyoutong	August 26, 2011	October 24, 2011	RMB10,000,000	100% held by Linekong Entertainment	Game operation
Tianjin 8864	December 26, 2012	August 29, 2013	RMB10,000,000	100% held by Linekong Entertainment	Game operation

(1) These subsidiaries have ceased to carry out any business activity and are dormant as of the Latest Practicable Date. In particular, Beijing Sanqiren, Linekong Xingyun and Zhuhai Linekong had ceased to carry out any business or game research and development activities in January 2012, January 2012 and March 2012, respectively.

Linekong Entertainment provided the funding for the operation of these subsidiaries. During 2007 to 2012, to incentivize certain key employees of some of these subsidiaries, Linekong Entertainment granted equity interests in such subsidiaries to the key employees subject to their continued service for a certain number of years with the subsidiaries. All of these employees (other than Mr. Yang Yingfeng) subsequently left the Group and transferred all of their equity interests in the subsidiaries to Linekong Entertainment after their departures. In particular, Beijing Sanqiren, Linekong Xingyun and Shouyoutong

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had become a wholly-owned subsidiary of Linekong Entertainment in June 2012, December 2011 and September 2013, respectively as a result of the transfer of all the then equity interests held by previous employees of the Group to Linekong Entertainment. Linekong Entertainment currently holds all equity interests in these subsidiaries except the 3% equity interest in Zhuhai Linekong held by Mr. Yang Yingfeng. Tianjin 8864 is and has always been a wholly-owned subsidiary of Linekong Entertainment since its establishment.

Linekong HK

Linekong Entertainment established Linekong HK in Hong Kong as a wholly-owned subsidiary in April 2012. Linekong Entertainment transferred all of its shares in Linekong HK to Linekong Holdings on July 8, 2014 at a consideration of HK\$1.00. Linekong HK has not engaged in any material business in its history.

JOINT VENTURES OF LINEKONG ENTERTAINMENT

Linekong Entertainment once held 78% equity interest in Linekong Sibite (Beijing) Technology Co., Ltd. (藍港思必特(北京)科技有限公司) (“Linekong Sibite”) which was engaged in game development business. In 2012, Linekong Sibite’s business was deteriorating and operating at loss and we decided to transfer 48% equity interest in Linekong Sibite to employees of Linekong Sibite to incentivize them to improve the business of the company. As a result, we lost our sole control over Linekong Sibite and it ceased to be a subsidiary of Linekong Entertainment. We acquired 20% equity interest in Chengdu Juli Internet Technology Co. Ltd. (成都聚立網絡技術有限公司) (“Chengdu Juli”), a game developer, in order to improve our business cooperation with it, and subsequently completed the transfer of the 20% equity interest in Chengdu Juli to an independent third-party in May 2014. The investments in these two companies are accounted for as “joint ventures” using the equity method of accounting in the Accountant’s Report in Appendix I to this prospectus. We do not control the board of directors of any of these joint ventures and all other shareholders of these joint ventures are independent third parties. As a result of the foregoing, these joint ventures are not members of our Group. Details of the carrying value of our investment in these joint ventures are set out in Note 10 to the Accountant’s Report in Appendix I to this prospectus. In November 2014, Linekong Sibite was dissolved and deregistered.

HISTORICAL COMMON CONTROL OF OUR COMPANY AND OUR PRC OPERATING ENTITIES

Each of our Founders is an original founder of our Company. In addition, they are also the original founders and registered shareholders of Linekong Entertainment and together hold the entire equity interest in Linekong Entertainment. Since the respective date of incorporation of our Company and Linekong Entertainment, they have always been in consensus and in agreement when exercising their voting rights as a shareholder in every general meeting and when passing every shareholders’ resolutions of our Company and Linekong Entertainment, and have always been in consensus and in agreement in the management and operation of the Group.

Except as disclosed in “— Information on Members of Our Group” above, there has been no major acquisition, disposal or merger in the history of our Group.

PRE-IPO INVESTMENTS

Series A Investment

Pursuant to a Series A Preferred Share Purchase Agreement dated April 23, 2008 (the “Series A Preferred Shares Purchase Agreement”) entered into by and among our Company, Linekong Entertainment, Beijing Linekong Online, Beijing Huanteng, our Founders, our two other original

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founders and the Series A Investors, our Company issued to the Series A Investors a total of 1,777,778 Series A Preferred Shares with a par value of US\$0.001 per share.

Principal terms of the Series A Preferred Share Purchase Agreement are set forth below:

Name of Series A Investors	IDG-Accel China Growth Fund L.P. IDG-Accel China Growth Fund-A L.P. IDG-Accel China Investors L.P.
Background of Series A Investors	Each of IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. is a limited partnership established in the Cayman Islands and is engaged primarily in investing in early stage and TMT-related projects in China. Other than the investment in our Group as disclosed in this prospectus, the Series A Investors and their ultimate beneficial owner are independent from our Group and connected persons of our Company.
Date of the agreement	April 23, 2008
Number of subscribed Shares	Our Company issued 1,370,133 Series A Preferred Shares to IDG-Accel China Growth Fund L.P., 280,000 Series A Preferred Shares to IDG-Accel China Growth Fund-A L.P., and 127,645 Series A Preferred Shares to IDG-Accel China Investors L.P.
Price per share and discount to the Offer Price	US\$1.125 per share before the Share Subdivision and US\$0.028125 per share after the Share Subdivision, representing a discount of 98.1% to an Offer Price of HK\$11.45 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)
Total consideration	US\$2,000,000, of which US\$830,000 was converted from a bridge loan with the aggregate principal amount of US\$830,000 which our Company owed to the Series A Investors and US\$1,170,000 were paid in cash.
Basis of determination	The consideration was determined based on arm's length negotiations between the Series A Investors, the Company and the Founders and two other original founders after taking into consideration the timing of the subscription and the illiquidity of our shares as a private company when the Series A Preferred Share Purchase Agreement was entered into.
Completion of the Subscription and payment date of the consideration	April 25, 2008
Public float	Since IDG Group, through Series A Investors, collectively, shall hold less than 10% of the total issued share capital of our Company

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immediately following the completion of the Global Offering, IDG Group and the Series A Investors will not be connected persons of our Company upon Listing. The acquisitions of the Series A Preferred Shares were not financed directly or indirectly by a connected person of our Company. Accordingly, all shares held by IDG Group through Series A Investors will be counted as part of the public float for the purposes of Rule 11.23(7) of the GEM Listing Rules.

Use of proceeds

The proceeds have been fully utilized for contribution into the Beijing Linekong Online as investment capital to be used for business expansion, capital expenditures, general working capital requirements or other purposes as approved by the board of directors of our Company.

Strategic benefits

Our Directors are of the view that the Company can benefit from the Series A Investors' commitment to the Company and their investments demonstrate their confidence in our Group's operation and serve as an endorsement of our Company's performance, strength and prospects.

Shareholding of the Series A Investors in our Company immediately following the completion of the Global Offering

On the basis that the Series A Preferred Shares are convertible into the Shares on a one-for-one basis and that the Over-allotment Option is not exercised, IDG Group, through IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P., shall hold approximately 4.05% of the total issued share capital of our Company, of which, 3.12% will be held by IDG-Accel China Growth Fund L.P., 0.64% will be held by IDG-Accel China Growth Fund-A L.P. and 0.29% will be held by IDG-Accel China Investors L.P..

Series B Investment

Pursuant to a Series B Preferred Share purchase agreement dated May 7, 2008 (the "Series B Preferred Shares Purchase Agreement") entered into by and among our Company, Linekong Entertainment, Beijing Linekong Online, Beijing Huanteng, the Series A Investors, the Founders, our two other original founders and the Series B Investors, our Company issued 1,061,360 Series B Preferred Shares to the Series B Investors.

Principal terms of the Series B Preferred Share Purchase Agreement are set forth below:

Name of Series B Investors

Northern Light Venture Capital II, Ltd.

New Enterprise Associates 12, Limited Partnership

NEA Ventures 2008, Limited Partnership

Background of Series B Investors

Northern Light Venture Capital is a China-focused venture capital firm targeting early and early growth stage opportunities, primarily focusing on TMT, clean technology, healthcare and consumer

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industry. The beneficial owners of the Shares held by Northern Light Venture Capital II, Ltd. are Northern Light Venture Fund II, L.P., Northern Light Strategic Fund II, L.P. and Northern Light Partners Fund II, L.P. (collectively, the “Northern Light Funds”). Other than the investment in our Group as disclosed in this prospectus, Northern Light Venture Capital II, Ltd. and each of the Northern Light Funds and their respective ultimate beneficial owners are independent from our Group and connected persons of our Company.

Each of New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership is an investment special purpose vehicle controlled by New Enterprise Associates, a venture capital organization principally engaged in investment in information technology, medical and life sciences sectors. Other than the investment in our Group as disclosed in this prospectus, New Enterprise Associates 12, Limited Partnership, NEA Ventures 2008, Limited Partnership and their ultimate beneficial owners are independent from our Group and connected persons of our Company.

Date of the agreement	May 7, 2008
Number of subscribed shares	Our Company issued 663,350 Series B Preferred Shares to Northern Light Venture Capital II, Ltd., 397,015 Series B Preferred Shares to New Enterprise Associates 12, Limited Partnership, and 995 Series B Preferred Shares to NEA Ventures 2008, Limited Partnership.
Price per share and discount to the Offer Price	US\$15.075 per share before the Share Subdivision and US\$0.376875 per share after the Share Subdivision, representing a discount of 74.5% to an Offer Price of HK\$11.45 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)
Total consideration	US\$16,000,000
Basis of determination	The consideration was determined based on arm’s length negotiations between the Series B Investors, the Company and the Founders and two other original founders after taking into consideration the timing of the subscription and the illiquidity of our Shares as a private company when the Series B Preferred Share Purchase Agreement was entered into.
Completion of the Subscription and payment date of the consideration	May 7, 2008
Public float	Since each of the Series B Investors is not a connected person of our Company and the acquisitions of the Series B Preferred Shares

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are not financed directly or indirectly by a connected person of our Company, the Shares held by each of the Series B Investors will be counted as public float.

Use of proceeds

The proceeds have been fully utilized for general corporate purposes of our Group in accordance with the annual consolidated budget approved by the Board of Directors of our Company.

Strategic benefits

Our Directors are of the view that the Series B Investors are professional institutional investors which can provide us with professional advice on our Group's development.

Shareholding of the Series B Investors in our Company immediately following the completion of the Global Offering

On the basis that the Series B Preferred Shares are convertible into the Shares on an one-for-one basis and that the Over-allotment Option is not exercised, New Enterprise Associates, through New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership, shall hold approximately 1.43% of the total issued share capital of our Company, of which, 1.43% will be held by New Enterprise Associates 12, Limited Partnership and less than 0.00004% will be held by NEA Venture 2008, Limited Partnership, and 2.38% will be held by Northern Light Venture Capital II, Ltd.

Series C Investment

Pursuant to a Series C Preferred Share purchase agreement dated January 15, 2014 (the "Series C Preferred Shares Purchase Agreement") entered into by and among our Company, Linekong Entertainment, Beijing Linekong Online, Beijing Huanteng, the Series A Investors, the Series B Investors, the Founders and the Series C Investors, the Series C Investors purchased 622,637 Series C Preferred Shares from our Company and an aggregate of 1,470,113 Ordinary Shares, Series A Preferred Shares and Series B Preferred Shares ("Old Shares") from the Founders, Series A Investors, Series B Investors (collectively "Pre-Series C Shareholders").

Principal terms of the Series C Preferred Share Purchase Agreement are set forth below:

Name of Series C Investors	Number of Series C Preferred Shares Purchased from the Company	Number of Old Shares Purchased from Pre-Series C Shareholders
Starwish Global Limited	389,148	113,086 and 63,610 ordinary shares from Mr. Wang Feng and Ms. Liao Mingxiang, respectively 408,540 Series A Preferred Shares from IDG-Accel China Growth Fund L.P. 83,489 Series A Preferred Shares from IDG-Accel China Growth Fund-A L.P. 38,060 Series A Preferred Shares from IDG-Accel China Investors L.P. 212,036 Series B Preferred Shares from Northern Light Venture Capital II, Ltd.

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Name of Series C Investors	Number of Series C Preferred Shares Purchased from the Company	Number of Old Shares Purchased from Pre-Series C Shareholders
Profitable Century International Limited	93,395	21,204 and 21,203 ordinary shares from Ms. Liao Mingxiang and Mr. Zhang Yuyu, respectively
		98,049 Series A Preferred Shares from IDG-Accel China Growth Fund L.P.
		20,037 Series A Preferred Shares from IDG-Accel China Growth Fund-A L.P.
		9,135 Series A Preferred Shares from IDG-Accel China Investors L.P.
		50,889 Series B Preferred Shares from New Enterprise Associates 12, Limited Partnership
Orchid Asia V, L.P.	60,396	27,423 ordinary shares from Mr. Zhang Yuyu
		63,405 Series A Preferred Shares from IDG-Accel China Growth Fund L.P.
		12,957 Series A Preferred Shares from IDG-Accel China Growth Fund-A L.P.
		5,908 Series A Preferred Shares from IDG-Accel China Investors L.P.
		32,908 Series B Preferred Shares from New Enterprise Associates 12, Limited Partnership
Orchid Asia V Co-Investment, Limited	1,868	848 ordinary shares from Mr. Zhang Yuyu
		1,961 Series A Preferred Shares from IDG-Accel China Growth Fund L.P.
		401 Series A Preferred Shares from IDG-Accel China Growth Fund-A L.P.
		182 Series A Preferred Shares from IDG-ACCEL China Investors L.P.
		1,018 Series B Preferred Shares from New Enterprise Associates 12, Limited Partnership

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Name of Series C Investors	Number of Series C Preferred Shares Purchased from the Company	Number of Old Shares Purchased from Pre-Series C Shareholders
SAIF IV Hong Kong (China Investments) Limited	38,915	17,670 Ordinary Shares from Mr. Zhang Yuyu 40,854 Series A Preferred Shares from IDG-Accel China Growth Fund L.P. 8,349 Series A Preferred Shares from IDG-Accel China Growth Fund-A L.P. 3,806 Series A Preferred Shares from IDG-Accel China Investors L.P. 21,203 Series B Preferred Shares from New Enterprise Associates 12, Limited Partnership
Famous Sino Limited	31,132	14,136 Ordinary Shares from Mr. Zhang Yuyu 32,683 Series A Preferred Shares from IDG-Accel China Growth Fund L.P. 6,679 Series A Preferred Shares from IDG-Accel China Growth Fund-A L.P. 3,045 Series A Preferred Shares from IDG-Accel China Investors L.P. 16,963 Series B Preferred Shares from New Enterprise Associates 12, Limited Partnership
Eager Info Investments Limited	7,783	3,534 Ordinary Shares from Mr. Zhang Yuyu 8,171 Series A Preferred Shares from IDG-Accel China Growth Fund L.P. 1,670 Series A Preferred Shares from IDG-Accel China Growth Fund-A L.P. 761 Series A Preferred Shares from IDG-Accel China Investors L.P. 3,922 Series B Preferred Shares from New Enterprise Associates 12, Limited Partnership 318 Series B Preferred Shares from NEA Ventures 2008, Limited Partnership
Total	622,637 shares	1,470,113 shares

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Background of Series C Investors

Starwish Global Limited, is a special purpose vehicle established by a fund, which is managed by Fosun Group (a group which engages in insurance, industrial operations, investment and asset management) for the purpose of investing in the Ordinary Shares and Preferred Shares of the Company. Other than its investment in the Group, Starwish Global Limited, the fund and Fosun Group and their ultimate beneficial owners are parties independent of the Company and its connected persons.

Profitable Century International Limited, is a special purpose vehicle established by Ms. Lo Fui Chu, for the purpose of investing in the Ordinary Shares and Preferred Shares of the Company. Other than its investment in the Group, Profitable Century International Limited, Ms. Lo Fui Chu and their ultimate beneficial owners are parties independent of the Company and its connected persons.

Orchid Asia V, L.P. and Orchid Asia V Co-Investment, Limited are affiliate and part of the investment group of Orchid Asia Group Management, Limited, which assists corporate executives of companies in the consumer services and products sector with high growth prospects to formulate strategies to finance and expand their business enterprises. Other than its investment in the Group, Orchid Asia V, L.P., Orchid Asia V Co-Investment, Limited and their ultimate beneficial owners are parties independent of the Company and its connected persons.

SAIF IV Hong Kong (China Investments) Limited is an investment entity of SAIF Partners, which is a private equity firm focusing on investing Information Technology, Telecommunication, Internet, Mobile, Media, Consumer Products and Services, Healthcare, Education, Travel and Tourism, Financial Services and Manufacturing. Other than its investment in the Group, SAIF IV Hong Kong (China Investments) Limited and their ultimate beneficial owners are parties independent of the Company and its connected persons.

Famous Sino Limited is a private investment company and its ultimate beneficial owner is Mr. Wu Guangze. Other than its investment in the Group, Famous Sino Limited and its ultimate beneficial owner are parties independent of the Company and its connected persons.

Eager Info Investments Limited, which is the company incorporated in the British Virgin Islands, is principally engaged in investments and its ultimate beneficial owner is Zhao Xiaohong. Other than its investment in the Group, Eager Info Investments Limited and its ultimate beneficial owner are parties independent of the Company and its connected persons.

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Date of the agreement	January 15, 2014
Price per share and discount to the Offer Price	US\$48.1822 per share before the Share Subdivision and US\$1.204555 per share after the Share Subdivision for Series C Preferred Shares, representing a discount of 18.4% to an Offer Price of HK\$11.45 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus) and US\$34.0110 per share before the Subdivision and US\$0.850275 per share after the Share Subdivision for Old Shares, representing a discount of 42.4% to an Offer Price of HK\$11.45 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)
Total consideration	US\$30,000,000 for Series C Preferred Shares which was directly paid to the Company and US\$50,000,000 for Old Shares which was directly paid to the Pre-Series C Shareholders
Basis of determination	The consideration has been determined based on arm's length negotiations between the Series C Investors, the Company, the Pre-Series C Shareholders and the Founders after taking into consideration the timing of the subscription and the illiquidity of our shares as a private company when the Series C Preferred Share Purchase Agreement was entered into. The difference between the price of Series C Preferred Share and the price of the Old Shares is due to the additional special rights granted to the holders of Series C Preferred Shares
Completion of the Subscription and payment date of the consideration	January 27, 2014
Public float	<p>Since Starwish Global Limited shall hold more than 10% of the total issued share capital of our Company immediately following the completion of the Global Offering, Starwish Global Limited will be a substantial shareholder of our Company upon Listing and hence a connected person of our Company. Accordingly, all shares held by Starwish Global Limited will not be counted as part of the public float for the purposes of Rule 11.23(7) of the GEM Listing Rules</p> <p>Since each of the other Series C Investors will be holding less than 10% of the Company's shareholding interests and the acquisitions of the Shares are not financed directly or indirectly by a connected person of our Company, the Shares held by each of the other Series C Investors will be counted as public float</p>
Use of proceeds	The proceeds paid to our Company, which is US\$30,000,000, shall be used for general corporate purpose of our Group, and have not been utilized yet
Strategic benefits	Our Directors are of the view that our Company can benefit from the professional advice from the Series C Investors and further improve our business strategic model

HISTORY, REORGANIZATION AND CORPORATE STRUCTURE

Shareholding of the Series C Investors in our Company immediately following the completion of the Global Offering

On the basis that the Series A Preferred Shares, the Series B Preferred Shares and the Series C Preferred Shares are convertible into the Shares on an one-for-one basis, 14.15% of the total issued share capital of our Company will be held by Starwish Global Limited, 3.40% of the total issued share capital of our Company will be held by Profitable Century International Limited, 2.20% of the total issued share capital of our Company will be held by Orchid Asia V, L.P., 0.07% of the total issued share capital of our Company will be by Orchid Asia V Co-Investment, Limited, 1.41% of the total issued share capital of our Company will be held by SAIF IV Hong Kong (China Investments) Limited, 1.13% of the total issued share capital of our Company will be held by Famous Sino Limited and 0.28% of the total issued share capital of our Company will be by Eager Info Investments Limited

Series D Investment

Pursuant to a Series D Preferred Share Purchase Agreement dated May 8, 2014 (the “Series D Preferred Shares Purchase Agreement”) entered into by and among our Company, Linekong Entertainment, Beijing Linekong Online, our Founders, and the Series D Investor, our Company issued to the Series D Investor a total of 14,793,523 Series D Preferred Shares with a par value of US\$0.000025 per share.

Principal terms of the Series D Preferred Share Purchase Agreement are set forth below:

Name of Series D Investor	Baidu Holdings Limited
Background of Series D Investor	Baidu Holdings Limited is a subsidiary of Baidu, Inc., a company listed on Nasdaq Stock Market (NASDAQ: BIDU), which principally engaged in providing searching and community services
Date of the agreement	May 8, 2014
Number of subscribed Shares	Our Company issued 14,793,523 Series D Shares to Baidu Holdings Limited
Price per share and discount to the Offer Price	US\$1.3519 per share, representing a discount of 8.4% to an Offer Price of HK\$11.45 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus)
Total consideration	US\$20,000,000
Basis of determination	The consideration was determined based on arm’s length negotiations between the Series D Investor, the Company and the Founders after taking into consideration the timing of the subscription and the illiquidity of our shares as a private company when the Series D Preferred Share Purchase Agreement was entered into

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Completion of the Subscription and payment date of the consideration	May 9, 2014
Public float	Since the Series D Investor is not a connected person of our Company and the acquisition of the Series D Preferred Shares is not financed directly or indirectly by a connected person of our Company, the Shares held by Series D Investor will be counted as public float
Use of proceeds	The proceeds from the sale of the Series D Preferred Shares will be used for general corporate purposes of our Company, which have not been utilized yet
Strategic benefits	Our Directors are of the view that the Company can benefit from the Series D Investor's commitment to the Company and their investments demonstrate their confidence in our Group's operation and serve as an endorsement of our Company's performance, strength and prospects
Shareholding of the Series D Investor in our Company immediately following the completion of the Global Offering	On the basis that the Series D Preferred Shares are convertible into the Shares on an one-for-one basis, 4.00% will be held by Baidu Holdings Limited

Special Rights of Pre-IPO Investors

Our Company, Linekong Entertainment, Beijing Linekong Online, the Founders and the Pre-IPO Investors entered into the Third Amended and Restated Shareholders Agreement on May 8, 2014 ("Amended Shareholders Agreement"). They also adopted the Fourth Amended and Restated Memorandum and Articles of Association on the same date ("Memorandum and Articles of Association"). Pursuant to the Amended Shareholders Agreement and Memorandum and Articles of Association, the Pre-IPO Investors were granted the following rights, each of which will be automatically terminated upon the completion of the Global Offering:

Information and Inspection Rights

The Pre-IPO Investors are entitled to have access to our financial and accounting information and other books and records.

Board Appointment Right

The Board may have no more than seven (7) directors, and one (1) director should be elected by the holders of Series A Preferred shares, Series B Preferred Shares, Series C Preferred Share or Series D Preferred Shares which have the highest shareholding in the Company. Certain Pre-IPO Investors have also been granted with observation rights to have a representative to attend all meetings of the Company's Board of Directors in a nonvoting observer capacity, so long as such investors do not have a representative on the Company's Board of Directors. The Directors will be subject to rotation pursuant to relevant Listing Rules after Listing.

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Anti-dilution and pre-emptive right

The Pre-IPO Investors have the pre-emptive right to purchase, on a pro rata basis, new securities issued by our Company from time to time. In addition, if any of the Founders proposes to sell any of his or her share, and after Mr. Wang Feng and Ms. Liao Mingxiang exercise their right of first refusal, each Pre-IPO Investor will have a right of first refusal to purchase the remaining shares on a pro rata basis.

Right of Co-Sale

Each Pre-IPO Investor which does not exercise its right of first refusal as mentioned above will have the right to participate in such sales upon substantially the same terms and conditions as offered by the selling Founder.

Right of First Refusal of Series D Investor

Notwithstanding anything to the contrary provided by the general pre-emptive right, if any shareholder of our Company intends to transfer its shares in our Company to certain specified purchasers, Series D Investor shall have a right of first refusal to, or designate an affiliate to, purchase all, but not less than all, of such shares on substantially the same terms and conditions as offered by such specified shareholders.

Restriction on cooperation

Our Company has particularly committed to Series D Investor not to cooperate with certain specified company to accept any equity or equity-linked investment in our Company or any of our subsidiaries, and/or to complete any acquisition of our Company or any of our subsidiaries by such specified company.

Conversion

The Pre-IPO Investors have the right to convert their preferred shares into ordinary shares at any time. The initial conversion ratio will be 1:1 and shall be subject to adjustment from time to time. Each Preferred Share will automatically be converted, based on the applicable conversion price, into ordinary shares upon the earlier of: (i) the completion of a qualified initial public offering, which the Global Offering should qualify, or (ii) approval of at least three of the following four groups: (1) holders of at least 50% of Series A Preferred Share, (2) holders of at least 50% of Series B Preferred Shares, (3) holders of at least 50% of Series C Preferred Shares, and (4) holders of at least 50% of Series D Preferred Shares (the "Majority of Preferred Shares").

The conversion price of the Preferred Shares is subject to adjustment in the event of an issuance of additional Ordinary Shares ("Issuance") without consideration or for a consideration per share less than the applicable conversion price for the affected series of Preferred Shares. The applicable conversion price shall be a price determined by multiplying conversion price, which shall initially be US\$0.028125 per share for Series A Shares, US\$0.376875 per share for the Series B Shares, US\$1.204555 per share for the Series C Shares and US\$1.351943 per share for the Series D Shares ("Conversion Price"), by a fraction, the numerator of which shall be the number of Ordinary Shares outstanding (on a fully diluted and as-converted basis) immediately prior to Issuance plus the number of shares which the aggregate consideration received by the Company for the total number of additional Ordinary Shares so issued would purchase at such Conversion Price, and the denominator of which shall be the number of Ordinary Shares outstanding (on a fully diluted and as-converted basis) immediately prior to Issuance plus the number of such additional Ordinary Shares so issued. Notwithstanding the foregoing, the conversion price of any series of Preferred Shares shall not be reduced at such time if the amount of such reduction

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would be less than US\$0.000025, but any such amount shall be carried forward, and a reduction will be made with respect to such amount at the time of, and together with, any subsequent reduction which, together with such amount and any other amounts so carried forward equal US\$0.000025 or more in the aggregate.

Veto Right

There are certain matters which would require the approval of the holders of the Majority of Preferred Shares. Such matters include, among others, amending or waiving any provision of the Memorandum and Articles of Association in a manner that would alter or change the rights of the Preferred Shares, authorizing, creating or issuance any class or series of shares or any other securities convertible into equity securities of the Company having rights, preferences or privileges senior to or an a parity with the Preferred Shares, entering any agreement regarding a sale or transfer of substantially all of the assets of the Company, and selling, transferring, pledging, hypothecating or otherwise disposing of share by any Founder or ordinary shareholders prior to a qualified initial public offering.

Redemption Rights

Series C Investors and Series D Investor have been granted a redemption right that the holders of a majority of then outstanding Series C Shares or the holders of a majority of then outstanding Series D Shares may request redemption of all of the then outstanding Series C Shares or Series D Shares, respectively, at a written notice, in the event that a qualified initial public offering, which the Global Offering should qualify does not occur on or before the third anniversary of January 28, 2014. The redemption price will equal to the applicable Series C and Series D purchase price plus 9% simple interest per annum, plus any declared but unpaid dividends thereon, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations or mergers. In circumstances where both the Series C Shares and Series D Shares are redeemable, and our Company's legally available funds are inadequate to pay the full redemption price of both Series C Shares and Series D Shares, then all such assets shall be distributed ratably first among the holders of Series D Shares, then among the holders of Series C Shares.

Dividends Preference

Each respective holder of Preferred Shares shall be entitled to receive non-cumulative dividends in preference to any dividend on the Ordinary Shares at the rate of 6% of the original issue price per annum, when and as declared by the Board.

Confirmation from the Joint Sponsors

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

Lock-up

All of the Pre-IPO Investors have undertaken to our Company and the Underwriters that they will be subject to a lock-up period of six months from the Listing Date.

CONTRACTUAL ARRANGEMENTS

INTRODUCTION

We are primarily engaged in the development and operation of online and mobile games (the “Principal Business”) and are considered to be engaged in the provision of value-added telecommunications services. Pursuant to applicable PRC laws and regulations, foreign investors are prohibited from holding equity interest in an entity conducting online games business and are restricted to conduct value-added telecommunications services. Accordingly, we cannot acquire equity interest in Linekong Entertainment, which conducts our Principal Business and holds the assets and certain licenses, approvals and permits required for the operation of our Principal Business. For further details of the limitations on foreign ownership in PRC companies conducting online games business and value-added telecommunications services and the licensing and approval requirements applicable to our Principal Business under PRC laws and regulations, please refer to the section headed “Regulatory Overview — Regulation Relating to Telecommunications Services and Foreign Investment Restrictions” and “Regulatory Overview — Regulations on Online Games and Cultural Products and Foreign Ownership Restrictions” above in this prospectus.

As a result of the foregoing, we, through our wholly-owned subsidiary, Beijing Linekong Online, entered into a series of original contractual arrangements with Linekong Entertainment and its registered shareholders to assert management control over the operations of our Principal Business conducted through Linekong Entertainment, and to enjoy all economic benefits of Linekong Entertainment. The previous agreements underlying such original contractual arrangements with Linekong Entertainment include: (i) Exclusive Technology Consulting and Service Agreement, (ii) Exclusive Call Option Agreement, (iii) Equity Pledge Agreement and (iv) the Exclusive Intellectual Property Rights Call Option Agreement (the “Previous Agreements”). Moreover, each of the registered shareholders of Linekong Entertainment had also executed an irrevocable Power of Attorney appointing Beijing Linekong Online as his/her proxy to exercise on his/her behalf of shareholder rights in Linekong Entertainment.

In January 2014, in view of two former registered shareholders of Linekong Entertainment (namely Mr. Wang Wei and Mr. Wang Lei) selling their respective equity interests in Linekong Entertainment to Mr. Wang Feng, our Group amended and restated the Previous Agreements with Linekong Entertainment and registered shareholders of Linekong Entertainment (namely, Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu, and collectively referred to as the “Registered Shareholders”) by entering into the amended and restated agreements underlying the Contractual Arrangements (the “Existing Agreements”). In addition, each of the Registered Shareholders had also executed a new irrevocable Power of Attorney to expressly define the identity of the individual to be appointed by each of them as his/her proxy to exercise all shareholders’ rights in Linekong Entertainment. Such amendments are made in order to comply with relevant GEM Listing Rules and guidance from the Stock Exchange, to further strengthen our Group’s control over Linekong Entertainment and to enhance the rights conferred upon our Group over the assets and economic benefits of Linekong Entertainment. In addition, Beijing Linekong Online has also entered into the Loan Agreement with the Registered Shareholders to assume the loan originally granted by our Company, for the purpose of acquiring the equity interest in Linekong Entertainment.

Pursuant to the Contractual Arrangements, all substantial and material business decisions of Linekong Entertainment and its subsidiaries will be instructed and supervised by our Group, through Beijing Linekong Online, and all risks arising from the business of Linekong Entertainment and its subsidiaries are also effectively borne by our Group as a result of Linekong Entertainment and its subsidiaries being treated as subsidiaries of our Group. Accordingly, our Directors consider that it is fair and reasonable for Beijing Linekong Online to be entitled to all economic benefits generated by the business operated by Linekong Entertainment and its subsidiaries through the Contractual Arrangements

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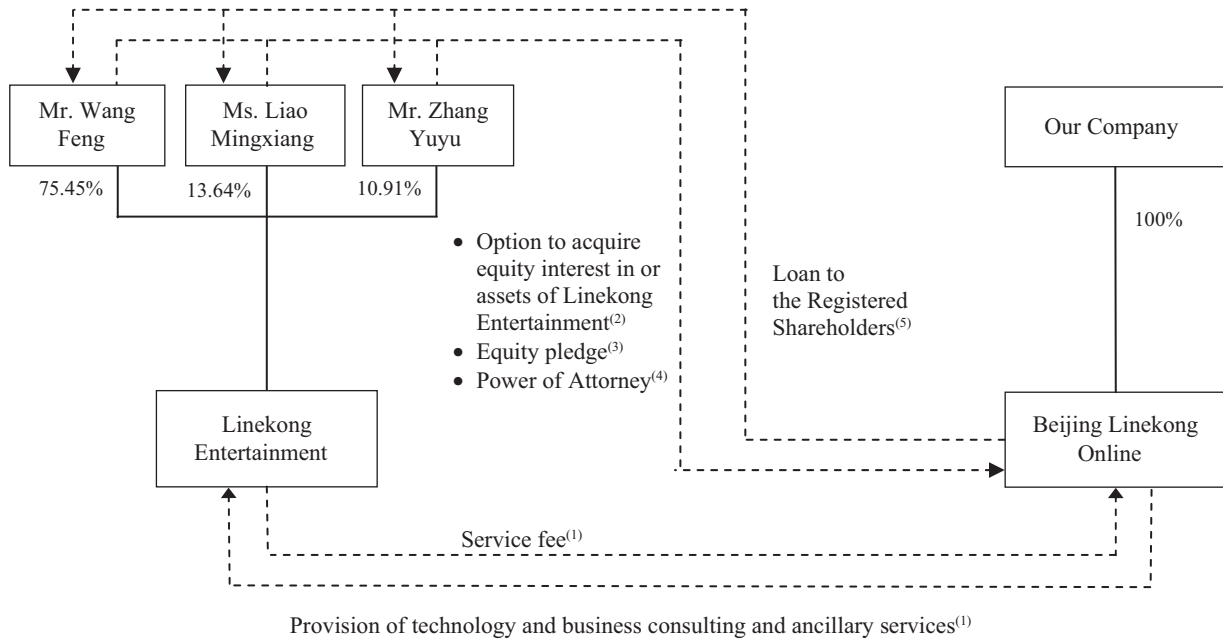
as a whole. In addition, our Directors (including our independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations and would allow and ensure sound and effective operation of our Company and our Principal Business in compliance with applicable PRC laws and regulations. Accordingly, our Directors considered that such transactions, which have been and shall be entered into on normal commercial terms, are fair and reasonable, or advantageous, so far as our Group is concerned and are in the best interests of our Company and our Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of Linekong Entertainment and its subsidiaries are consolidated into our Group's financial statements as subsidiaries, and the flow of economic benefit of their business to our Group pursuant to the Contractual Arrangements, would also be in the best interest of our Company. During the Track Record Period and until such time when Linekong Korea was established, substantially all of the operating assets were held by Linekong Entertainment and its subsidiaries and all operating staff and employees (as opposed to those in a supervision or management role), including but not limited to, staff in our game development and operations department, were employed by Linekong Entertainment and its subsidiaries. In addition, during the Track Record Period, the revenue generated by Linekong Entertainment and its subsidiaries represents all consolidated revenue of our Group.

In addition, we have taken and plan to continue to take specific steps to comply with the Qualification Requirement discussed in the section headed "Regulatory Overview — Foreign Investments Restrictions in Value-added Telecommunication Industry" in this prospectus. We have established a subsidiary in South Korea and plan to invest RMB8 million in 2014 in this subsidiary. We also have started publishing the Korean version of *Sword of Heaven* through this subsidiary in South Korea in April 2014. We have also established a subsidiary in Hong Kong. Our PRC Legal Advisor is of the view that these steps are reasonable and appropriate to comply with the Qualification Requirement. We expect that the aggregate expenditures incurred and to be incurred for implementing such expansion plan in targeted overseas market will amount to approximately RMB20 million. We will continue to seek specific guidance from relevant PRC regulatory authorities with respect to compliance with the Qualification Requirement and are committed to implement our expansion plan in targeted overseas market with an aim to develop a proven track record of publishing business overseas. We undertake to provide periodic updates in our annual and interim reports after the Listing to inform the investing public of our efforts and actions taken to comply with the Qualification Requirement as well as the progress of our efforts.

CONTRACTUAL ARRANGEMENTS

DIAGRAM OF THE CONTRACTUAL ARRANGEMENTS

The following simplified diagram illustrates the flow of economic benefits from Linekong Entertainment to our Company stipulated under the Contractual Arrangements:



Notes:

- (1) Please refer to the section headed “Exclusive Technology Consulting and Service Agreement” below.
- (2) Please refer to the section headed “Exclusive Call Option Agreement” below.
- (3) Please refer to the section headed “Equity Pledge Agreement” below.
- (4) Please refer to the section headed “Powers of Attorney” below.
- (5) Please refer to the section headed “Loan Agreement” below.

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KEY AMENDMENTS AND DIFFERENCES BETWEEN THE PREVIOUS AGREEMENTS AND THE EXISTING AGREEMENTS

Key amendments made in the Existing Agreements and the differences between the Previous Agreements and the Existing Agreements are set out below:

Previous Agreements

Existing Agreements

Dispute Resolution Clause in Each Agreement

In the event of any dispute arising out of or in relation to the agreement, the parties shall negotiate in good faith to resolve such dispute, failing which the parties may submit the dispute to China International Economic and Trade Arbitration Commission (“CIETAC”) for arbitration.

However, the Previous Agreements are silent on the remedies that the arbitrators may grant, and the competent courts with powers to grant interim remedies.

The arbitrators may award remedies over the equity interests in or assets of Linekong Entertainment and the courts of competent jurisdictions (including PRC, Hong Kong and Cayman Islands) shall have the power to grant interim remedies over the equity interests in or assets of Linekong Entertainment.

Exclusive Technology Consulting and Service Agreement

The service fee payable by Linekong Entertainment to Beijing Linekong Online for the exclusive technology consulting and services provided pursuant to the previous exclusive Technology Consulting and Service Agreement shall be such amount as mutually agreed by both parties with reference to the time used, complexity and value of the services provided and shall be payable on a quarterly basis, with such amount being assessed and adjusted from time to time but at least on an annual basis.

The service fee payable by Linekong Entertainment to Beijing Linekong Online for the exclusive technology consulting and services provided shall be determined with reference to profit before taxation of Linekong Entertainment, including all profits attributable to Linekong Entertainment of, and any other distributions received by Linekong Entertainment from, any of its subsidiaries in any given year but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any) and deducting such amounts as required for working capital, expenses and tax of each of Linekong Entertainment and its subsidiaries (as the case may be) in any given year. Beijing Linekong Online is also entitled to adjust and to increase the service fee payable by Linekong Entertainment in any given year to include and cover any consolidated retained profits (including any amounts retained by Linekong Entertainment and its subsidiaries (as the case may be) from prior years required for working capital and expenses) of Linekong Entertainment and its subsidiaries from prior years. The service fee shall be payable within 15 days after each quarter end for the services provided in the preceding quarter. Such amount shall be reconciled with the profit before taxation figures as stated in the annual audited financial statements of Linekong Entertainment and in the

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event that there is any outstanding payment to be made, Linekong Entertainment shall pay such outstanding amount to Beijing Linekong Online prior to March 31 in the subsequent year. In addition, it is stipulated in the Amended and Restated Exclusive Technology Consulting and Service Agreement that Beijing Linekong Online shall enjoy all economic benefits of, and bear all risks arising from, the conduct of the Principal Business by Linekong Entertainment. In the event that Linekong Entertainment incurs significant operating loss or experiences serious difficulties in its operations, Beijing Linekong Online shall provide financial support to Linekong Entertainment and shall have the right to request Linekong Entertainment to cease its operations.

Exclusive Call Option Agreement

Beijing Linekong Online is entitled to an exclusive and unconditional option to purchase the Registered Shareholders' equity interests in Linekong Entertainment.

It has been clarified that Beijing Linekong Online is entitled to exercise the call option, by itself or through one or more designated persons, to acquire the equity interests in and assets of Linekong Entertainment and such designated person(s) must be a direct or indirect shareholder of Beijing Linekong Online and the direct or indirect subsidiary of such shareholder or an authorized director (being a PRC citizen) of any such shareholder or its direct or indirect subsidiary.

It is further specified that Beijing Linekong Online shall have the right to forthwith exercise the option when relevant PRC laws and regulations permit the equity interests of the Linekong Entertainment to be directly held by Beijing Linekong Online while Linekong Entertainment continues to operate the Principal Business.

In addition, it is stipulated that the Registered Shareholders and/or Linekong Entertainment shall return to Beijing Linekong Online or its designee any consideration it/they receive(s) in the event that Beijing Linekong Online exercises the call option to acquire the equity interests in and/or assets of Linekong Entertainment.

Each of the Registered Shareholders also warrants under the Amended and Restated Exclusive Call Option Agreement that appropriate arrangements have been made to ensure that none of his/her

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Previous Agreements

Existing Agreements

successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his/her equity interest in Linekong Entertainment upon his/her death, incapacity, bankruptcy, divorce or any other circumstances that may affect or hinder the fulfilment of the obligations under the Amended and Restated Exclusive Call Option Agreement.

Exclusive Intellectual Property Rights Call Option Agreement

Beijing Linekong Online entered into the Exclusive Intellectual Property Rights Call Option Agreement with Linekong Entertainment on April 22, 2008, pursuant to which Linekong Entertainment granted an exclusive call option to Beijing Linekong Online to purchase all relevant intellectual properties (including but not limited to patents, trademarks, service marks, logos, brand names, domain names, copyrights, ownership of database, utility model and proprietary technology, whether registered or non-registered) owned by Linekong Entertainment. Pursuant to the Exclusive Intellectual Property Rights Call Option Agreement, Beijing Linekong Online shall pay Linekong Entertainment a transfer fee of RMB1,000 for each intellectual property acquired from Linekong Entertainment upon the exercise of the call option granted under the agreement or the minimum price upon the transfer to the extent permissible under applicable PRC laws and regulations.

To simplify and consolidate the agreements underlying the Contractual Arrangements, relevant provisions concerning the grant of the exclusive call option to Beijing Linekong Online with respect to intellectual properties owned by Linekong Entertainment has been included in the Amended and Restated Exclusive Call Option Agreement. Pursuant to the Amended and Restated Exclusive Call Option Agreement, Beijing Linekong Online is entitled to exercise the call option, by itself or through one or more designated persons, to acquire the assets (including all intellectual properties) of Linekong Entertainment at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations.

Equity Pledge Agreement

The previous Equity Pledge Agreement shall have a term commencing from the date when the equity pledge is recorded in the shareholders' register of Linekong Entertainment and ending on the date when the Exclusive Technology Consulting and Service Agreement expires.

The Amended and Restated Equity Pledge Agreement shall have a term commencing from the date when the equity pledge is recorded in the shareholders' register of Linekong Entertainment and ending on the date on which the agreements (other than the Amended and Restated Equity Pledge Agreement) underlying the Contractual Arrangements last expires.

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Previous Agreements

Existing Agreements

Power of Attorney

The Registered Shareholders undertake to appoint Beijing Linekong Online as their proxy to exercise all shareholders' rights in Linekong Entertainment.

The identity of the individual to be appointed by each of the Registered Shareholders as his/her proxy to exercise all shareholders' rights in Linekong Entertainment is expressly defined in the new Power of Attorney, and such individual must be one of the directors of any direct or indirect shareholder of Beijing Linekong Online or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen, but excluding the Registered Shareholders, any other shareholders of Linekong Entertainment and any associate of the Registered Shareholders.

DETAILS OF THE EXISTING AGREEMENTS

Exclusive Technology Consulting and Service Agreement

Beijing Linekong Online and Linekong Entertainment entered into an Amended and Restated Exclusive Technology Consulting and Service Agreement on January 16, 2014, and as further amended on November 24, 2014, pursuant to which Linekong Entertainment agreed to engage Beijing Linekong Online as its exclusive technology consultant and service provider. The technology advices and services which Beijing Linekong Online shall provide to Linekong Entertainment include, but are not limited to, (i) research and development of technologies necessary for the operations of Linekong Entertainment, including development, design, production of relevant information database and user interface software and other relevant technologies, and to grant the license to use such technologies to Linekong Entertainment, (ii) application and implementation of technologies relevant to the operations of Linekong Entertainment, including but not limited to the design, installation, commissioning and testing of the overall system, (iii) technical services related to advertisement design, software design and webpage production with respect to Linekong Entertainment's advertising business, and provide management advices and recommendations, (iv) daily maintenance, supervision, commissioning and troubleshooting of Linekong Entertainment's computer network equipment and other technical services, (v) consulting services for procurement of equipment, software and hardware systems required for Linekong Entertainment's business operations, (vi) appropriate training, technical support and assistance to personnel employed by Linekong Entertainment, (vii) technical advice and response to technical enquiries, (viii) additional technical services and advices as necessary for the operation of Linekong Entertainment from time to time and (ix) other service areas as agreed between the parties. In addition, Beijing Linekong Online shall have the exclusive and proprietary rights to all intellectual properties arising and developed during and as a result of the performance of the consulting and advisory services. For the avoidance of doubt, Linekong Entertainment and its relevant operating subsidiaries (as the case may be) shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software copyrights and domain names required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, but, where required, Beijing Linekong Online shall have the exclusive and proprietary rights to use all such game-related intellectual properties.

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Pursuant to the Amended and Restated Exclusive Technology Consulting and Service Agreement, Linekong Entertainment shall pay to Beijing Linekong Online a service fee that equals to the profit before taxation of Linekong Entertainment, including all profits attributable to Linekong Entertainment of, and any other distributions received by Linekong Entertainment from, any of its subsidiaries in any given year but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any) and deducting such amounts as required for working capital, expenses and tax of each of Linekong Entertainment and its subsidiaries (as the case may be) in any given year. Beijing Linekong Online is also entitled to adjust and to increase the service fee payable by Linekong Entertainment in any given year to include and cover any consolidated retained profits (including any amounts retained by Linekong Entertainment and its subsidiaries (as the case may be) from prior years required for working capital and expenses) of Linekong Entertainment and its subsidiaries from prior years. The service fee shall be payable within 15 days after each quarter end for the services provided in the preceding quarter. Such amount shall be reconciled with the profit before taxation figures as stated in the annual audited financial statements of Linekong Entertainment and in the event that there is any outstanding payment to be made, Linekong Entertainment shall pay such outstanding amount to Beijing Linekong Online prior to March 31 in the subsequent year. In addition, pursuant to the Amended and Restated Exclusive Technology Consulting and Service Agreement, Beijing Linekong Online shall have the absolute discretion to adjust the service fee payable by Linekong Entertainment based on the business conditions and development needs of Linekong Entertainment going forward.

It is also stipulated in the Amended and Restated Exclusive Technology Consulting and Service Agreement that Beijing Linekong Online shall enjoy all economic benefits of, and bear all risks arising from, the conduct of Principal Business by Linekong Entertainment. In the event that Linekong Entertainment incurs significant operating loss or experienced serious difficulties in its operations, Beijing Linekong Online shall provide financial support to Linekong Entertainment and shall have the right to request Linekong Entertainment to cease its operations. On the other hand, pursuant to the Amended and Restated Exclusive Technology Consulting and Service Agreement, without the prior written consent from Beijing Linekong Online, Linekong Entertainment shall not accept the same or similar technical consulting and services provided by any other third parties during the term of the agreement.

The Amended and Restated Exclusive Technology Consulting and Service Agreement has an initial term of ten (10) years and may be automatically extended for another ten years at the discretion of Beijing Linekong Online. The Amended and Restated Exclusive Technology Consulting and Service Agreement may be terminated by Beijing Linekong Online by giving Linekong Entertainment 30 days' prior written notice of termination or shall be terminated upon the transfer of the entire equity interests in and/or the transfer of all assets of Linekong Entertainment to Beijing Linekong Online or its designated person(s) pursuant to the Amended and Restated Exclusive Call Option Agreement. Linekong Entertainment is not contractually entitled to terminate the Amended and Restated Exclusive Technology Consulting and Service Agreement with Beijing Linekong Online.

Our Directors consider that the above arrangement will ensure the economic benefits generated from the operations of Linekong Entertainment and its subsidiaries to flow to Beijing Linekong Online and hence, our Group as a whole. As of the Latest Practicable Date, Beijing Linekong Online has deployed appropriate facilities and personnel to oversee the operation and management of Linekong Entertainment, drive the key business decision-making processes and provide overall business advices and consulting services as required to be provided to Linekong Entertainment pursuant to the Amended and Restated Exclusive Technology Consulting and Service Agreement, whilst Linekong Entertainment

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and its subsidiaries are mainly responsible for game development and operations and to hold all operating assets for the purpose of game development and operations to ensure compliance with relevant PRC laws and regulations with respect to the restriction on foreign investment in entity conducting online games business and the conditions of the relevant ICP and operating licenses granted to Linekong Entertainment and its subsidiaries. Our Company believes that such allocation of resources would allow a proper discharge of the respective responsibilities of Beijing Linekong Online and Linekong Entertainment under the Contractual Arrangements and also ensure sound and effective operation of our Group in compliance with the Contractual Arrangements and applicable laws and regulations.

Exclusive Call Option Agreement

Beijing Linekong Online, the Registered Shareholders and Linekong Entertainment entered into an Amended and Restated Exclusive Call Option Agreement on January 16, 2014, and as further amended on November 24, 2014, pursuant to which the Registered Shareholders jointly and severally granted to Beijing Linekong Online (exercisable by itself or any direct or indirect shareholder of Beijing Linekong Online and a direct or indirect subsidiary of such shareholder (i.e. being any member of our Group) or an authorized director (being a PRC citizen) of any such member of our Group as designated by Beijing Linekong Online) irrevocable options to (i) purchase, to the extent permitted by PRC laws and regulations, their equity interests in Linekong Entertainment, entirely or partially, at the minimum purchase price permitted under PRC laws and regulations or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets (including all intellectual properties) of Linekong Entertainment at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Beijing Linekong Online (by itself or any of its designee as specified above) may exercise such options at any time until it has acquired all equity interests and/or assets (including all intellectual properties) of Linekong Entertainment, subject to applicable PRC laws and regulations. It is also agreed that Beijing Linekong Online shall have the right to forthwith exercise the option granted under the Amended and Restated Exclusive Call Option Agreement when relevant PRC laws and regulations permit the equity interests of Linekong Entertainment to be directly held by Beijing Linekong Online while Linekong Entertainment continues to operate the Principal Business. In addition, the Registered Shareholders and/or Linekong Entertainment have agreed to return any consideration it/they will receive in the event that the call option to acquire the equity interests in and/or assets of Linekong Entertainment is exercised to Beijing Linekong Online or any of its designee as specified above. Moreover, upon the liquidation, dissolution and termination of Linekong Entertainment, each of the Registered Shareholders undertakes that he/she will ensure that Beijing Linekong Online shall obtain, at nil consideration, all remaining assets (including all intellectual properties) and distributable properties of Linekong Entertainment which any of them may receive from the distribution of properties or assets of Linekong Entertainment.

Pursuant to the Amended and Restated Exclusive Call Option Agreement, the Registered Shareholders and Linekong Entertainment have undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) not to supplement, modify or amend the constitutional documents, alter the registered capital or change the registered capital structure of Linekong Entertainment without the prior written approval from Beijing Linekong Online or our Company;
- (ii) prudently and effectively operate and manage the business and transactions of Linekong Entertainment and its subsidiaries, and to ensure their existence, in accordance with the good financial and business standards and practice;

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- (iii) not to sell, transfer, create encumbrances or otherwise dispose of any assets (including any intellectual properties), business, legal or beneficial interest of the income of Linekong Entertainment or allow any guarantee or security to be created on the assets of Linekong Entertainment without the prior written approval from Beijing Linekong Online or our Company;
- (iv) not to incur, take up, guarantee or allow any indebtedness without the prior written approval from Beijing Linekong Online or our Company (save for (i) those in the ordinary course of business otherwise than those incurred from borrowing and (ii) having been disclosed to and consented by Beijing Linekong Online in writing);
- (v) to operate the business of Linekong Entertainment in order to maintain its asset value or not to allow any act or omission which adversely affects its business or assets value;
- (vi) not to enter into any material contracts with an amount of over RMB100,000 (other than those entered in the ordinary course of business) without the prior written approval from Beijing Linekong Online or our Company;
- (vii) not to lend or provide any loan or financing to any other party without the prior written approval from Beijing Linekong Online or our Company;
- (viii) to provide all operating and financial information of Linekong Entertainment to Beijing Linekong Online upon request;
- (ix) Linekong Entertainment shall purchase and maintain such insurance covering its business, operations, properties and assets with insurers acceptable by Beijing Linekong Online, with insurance coverage and type in line with insurance generally maintained by companies within the same region and engaging in similar business and owning similar properties or assets as Linekong Entertainment;
- (x) not to engage in any mergers or acquisitions or make investment in any entities without the prior written approval from Beijing Linekong Online or our Company;
- (xi) immediately inform Beijing Linekong Online if the assets, business or income of Linekong Entertainment involved in any disputes, litigations, arbitrations or administrative proceedings;
- (xii) execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary appropriate defences against any charges or claims in order to maintain the ownership of all of its assets by Linekong Entertainment;
- (xiii) Linekong Entertainment shall not distribute any dividend, distributable profits and/or any assets to any Registered Shareholder without the prior written approval from Beijing Linekong Online or our Company. If the relevant Registered Shareholder receives any such dividends, distributable profits and/or other assets, such Registered Shareholder shall inform Beijing Linekong Online within three business days upon receipt of the same and forthwith transfer such benefits received by him/her at nil consideration to Beijing Linekong Online;
- (xiv) Linekong Entertainment shall procure its subsidiaries to distribute all profits attributable to Linekong Entertainment in order for Linekong Entertainment to fulfil its obligation to pay to Beijing Linekong Online the service fee payable under the Amended and Restated Exclusive Technology Consulting and Service Agreement, and which fee shall equal to the profit before taxation of Linekong Entertainment, including all profits attributable to Linekong Entertainment of, and any other distributions received by Linekong Entertainment from, any of its subsidiaries but without taking into account the service fee payable under the agreement

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and after offsetting the prior-year loss (if any) and deducting such amounts as required for working capital, expenses and tax of each of by Linekong Entertainment and its subsidiaries (as the case may be) in any given year;

- (xv) Linekong Entertainment shall procure all of its subsidiaries to only engage in game operations and ancillary businesses provided that the business scope shall have been approved by Beijing Linekong Online and is in compliance with applicable requirements under relevant laws and regulations, rules and guidance from regulatory authorities, approvals and licenses, and to obtain all necessary licenses, approvals and/or permits from relevant governmental authorities for the purpose of carrying out their businesses; and
- (xvi) Linekong Entertainment shall procure each of its subsidiaries to strictly comply with the terms of each of the Amended and Restated Exclusive Technology Consulting and Service Agreement and the Amended and Restated Exclusive Call Option Agreement under the Contractual Arrangements as if it were a party to such agreements and Linekong Entertainment undertakes that it shall be responsible for all breaches of such agreements by any of its subsidiaries.

The Registered Shareholders have further undertaken to perform certain acts or refrain from performing certain other acts, including but not limited to the following matters:

- (i) save for the equity pledge in favor of Beijing Linekong Online created under the Amended and Restated Equity Pledge Agreement, the Registered Shareholders shall not allow any sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any of their legal and beneficial equity interests in Linekong Entertainment without the prior written approval from Beijing Linekong Online or our Company;
- (ii) not to approve, vote in favor of or pass any shareholders' resolution of Linekong Entertainment approving the sell, transfer, creation of encumbrances or other third party rights or otherwise dispose of any legal and beneficial equity interests in or assets of Linekong Entertainment without the prior written approval from Beijing Linekong Online or our Company;
- (iii) not to approve, vote in favor of or pass any shareholders' resolution of Linekong Entertainment approving any mergers or acquisitions or make investment in any entities by Linekong Entertainment, or any spin-off, change in registered capital and change in the form of legal entity of Linekong Entertainment without the prior written approval from Beijing Linekong Online or our Company;
- (iv) approve and vote in favor of the shareholders' resolutions of Linekong Entertainment concerning the transfer of equity interests pursuant to the Amended and Restated Exclusive Call Option Agreement;
- (v) each Registered Shareholder shall execute all necessary or appropriate documents, take all necessary or appropriate actions and submit all necessary appropriate defences against any charges or claims in order to safeguard the equity interests held by him/her; and
- (vi) upon request from Beijing Linekong Online, elect and appoint the candidate(s) designated by Beijing Linekong Online as a director of Linekong Entertainment;
- (vii) unconditionally and forthwith transfer the equity interests in Linekong Entertainment held by him/her to Beijing Linekong Online or its designee upon Beijing Linekong Online's request

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and waive any pre-emptive rights over such transfer of equity interests by the other Registered Shareholders;

- (viii) to strictly comply with the terms of the Amended and Restated Exclusive Call Option Agreement and any other agreements jointly or severally entered into among Beijing Linekong Online, our Company, the Registered Shareholders and Linekong Entertainment and earnestly fulfill their respective obligations under such agreements and not to take, or omit to take, any actions which may affect the validity and enforceability of these agreements; and
- (ix) the Registered Shareholders irrevocably undertake to be jointly and severally liable for the obligations under the Amended and Restated Exclusive Call Option Agreement.

The Amended and Restated Exclusive Call Option Agreement shall expire when all the equity interests in and assets of Linekong Entertainment have been transferred to Beijing Linekong Online or is designee as specified above, unless and until Beijing Linekong Online, at its sole discretion, gives Linekong Entertainment and the Registered Shareholders a 30 days' prior written notice of termination. Linekong Entertainment and the Registered Shareholders are not contractually entitled to terminate the Amended and Restated Exclusive Call Option Agreement with Beijing Linekong Online.

To ensure that the Registered Shareholders duly discharge their obligations under the Contractual Arrangements, pursuant to the Amended and Restated Exclusive Call Option Agreement, each of the Registered Shareholders, has already executed an irrevocable power of attorney and deposit such power of attorney at Beijing Linekong Online, so that Beijing Linekong Online or its designee can be appointed as proxy of the Registered Shareholders to execute the equity transfer agreements with respect to their respective shareholding in Linekong Entertainment or the asset transfer agreements with respect to the assets of Linekong Entertainment and other ancillary documents concerning such transfer(s) and to handling and obtain all relevant approval and registration required under applicable laws and regulations in the event that any Registered Shareholder fails to discharge his/her obligations under the Contractual Arrangements.

Each Registered Shareholder also warrants under the Amended and Restated Exclusive Call Option Agreement that appropriate arrangements have been made to ensure that none of his/her successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his/her equity interest in Linekong Entertainment upon his/her death, incapacity, bankruptcy, divorce or any other circumstances that may affect or hinder his/her ability to exercise his/her shareholder's rights in Linekong Entertainment, or will carry out any act that may affect or hinder the fulfillment of his/her obligations under the Amended and Restated Exclusive Call Option Agreement. Please refer to the section headed "Confirmation from each of the Registered Shareholders and each of their spouses" below for details of the confirmations provided by the Registered Shareholders and each of their spouses.

Equity Pledge Agreement

Beijing Linekong Online and the Registered Shareholders entered into the Amended and Restated Equity Pledge Agreement on January 16, 2014, pursuant to which each of the Registered Shareholders agreed to pledge all of their respective equity interests in Linekong Entertainment to Beijing Linekong Online to secure performance of all their obligations and the obligations of Linekong Entertainment under the Existing Agreements. If any Registered Shareholder breaches or fails to fulfill the obligations under any of the Existing Agreements, Beijing Linekong Online, as the pledgee, will be entitled to foreclose the pledged equity interests, entirely or partially. In addition, pursuant to the Amended and Restated Equity Pledge Agreement, each Registered Shareholders has undertaken to Beijing Linekong Online, among other things, not to transfer or otherwise dispose his/her equity interests in Linekong

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Entertainment and not to create or allow any pledge thereon that may affect the rights and interest of Beijing Linekong Online without its prior written consent.

Under the Amended and Restated Equity Pledge Agreement, the Registered Shareholders also represent and warrant to Beijing Linekong Online that appropriate arrangements have been made to protect Beijing Linekong Online's interests in the event of death, incapacity, bankruptcy or divorce of the Registered Shareholders or any other circumstances that may affect their exercise of the shareholders' rights to avoid any practical difficulties in enforcing the Amended and Restated Equity Pledge Agreement. Please refer to the section headed "Confirmation from each of the Registered Shareholders and each of their spouses" below for details of the confirmations provided by the Registered Shareholders and each of their spouses.

In addition, if Linekong Entertainment declares any dividend or distribute any income during the term of the pledge, Beijing Linekong Online is entitled to receive all such dividends, bonus issue or other income arising from the pledged equity interests, if any. It is also agreed that in the event that Linekong Entertainment has increased its registered capital with prior written consent from Beijing Linekong Online and that the relevant Registered Shareholders subscribed or acquired additional equity interest in Linekong Entertainment, then the additional equity interest acquired or subscribed by the relevant Registered Shareholder shall also be pledged in favor of Beijing Linekong Online pursuant to the Amended and Restated Equity Pledge Agreement.

The Amended and Restated Equity Pledge Agreement shall terminate when Linekong Entertainment has fulfilled and performed all obligations under the Existing Agreements underlying the Contractual Arrangements or upon the termination of the Existing Agreements underlying the Contractual Arrangements.

Power of Attorney

On January 16, 2014, each Registered Shareholder executed an irrevocable Power of Attorney to appoint a director of any direct or indirect shareholder of Beijing Linekong Online or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen as proxy of the relevant Registered Shareholder to exercise all of their respective shareholders' rights in Linekong Entertainment. Pursuant to the Powers of Attorneys, the individuals to be appointed as the Registered Shareholders' proxies shall exclude the Registered Shareholders, any other shareholders of Linekong Entertainment and any of their associates. Pursuant to the Powers of Attorney, the shareholders' rights exercisable by the proxy include, but not limited to, the rights to (i) attend shareholders' meetings and pass any shareholders' resolution of Linekong Entertainment, (ii) exercise all shareholders' rights in accordance with applicable laws and the articles and constitutional documents of Linekong Entertainment, including but not limited to the exercise of voting rights in shareholders' meetings, sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Linekong Entertainment, (iii) submit and/or file any documents or information to relevant companies registry, and (iv) elect and appoint the legal representative, chairman, directors, supervisors, general manager and other senior management of Linekong Entertainment. The proxy is also authorized to enter into and execute any equity transfer agreement upon the exercise of the call option granted under the Amended and Restated Exclusive Call Option Agreement and to secure performance of the other agreements underlying the Contractual Arrangements for and on behalf of the relevant Registered Shareholder.

Under each Power of Attorney, each Registered Shareholder irrevocably confirmed that the power of attorney shall remain in full force and effect during the term which the relevant Registered Shareholder remains as a shareholder of Linekong Entertainment. The proxy shall have the right to re-

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designate the power of attorney to any other individuals or entities without requiring prior notice to or consent from the relevant Registered Shareholder.

Our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by the Registered Shareholders for the purpose of exercising any of their shareholders' rights under the Powers of Attorney shall be restricted to an authorized director of our Company or a legally-held subsidiary (whom shall own fiduciary duties to us). Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which does not owe any fiduciary duties to our Company. In view of the proposed corporate and management structure of our Group upon Listing, it is proposed that any one of Mr. Mao Zhihai (our executive Director), Mr. Qian Zhonghua (our non-executive Director), and Mr. Ma Ji, Mr. Chen Tong or Mr. Zhang Xiangdong (each an independent non-executive Director of our Company), each of whom is independent of the Registered Shareholders and his/her respective associates, may be designated to act as the proxy pursuant to the Powers of Attorney.

LOAN AGREEMENT

In order to satisfy the funding needs in Linekong Entertainment, the Registered Shareholders borrowed a sum of RMB9,970,000 from our Company without interest on or around the date of establishment of Linekong Entertainment. Beijing Linekong Online and the Registered Shareholders subsequently entered into the Loan Agreement, pursuant to which Beijing Linekong Online agreed to lend a total of RMB9,970,000 to the Registered Shareholders without interest, in order to assume the loan originally granted by our Company, for the purpose of acquiring the equity interest in Linekong Entertainment. Through the Loan Agreement, the Registered Shareholders will effectively be funded by Beijing Linekong Online, and the Registered Shareholders will be subject to certain repayment conditions pursuant to the Loan Agreement as discussed below.

Pursuant to the Loan Agreement, the parties agreed to enter into the Amended and Restated Exclusive Call Option Agreement where Beijing Linekong Online has the right to exercise a call option granted by the Registered Shareholders to acquire all or part of the equity interests in Linekong Entertainment at a minimum consideration that is permissible under PRC laws and regulations. In addition, to secure the performance of all obligations of the Registered Shareholders under the Loan Agreement and all other agreements (other than the Equity Pledge Agreement) underlying the Contractual Arrangements, the parties also entered into the Amended and Restated Equity Pledge Agreement where, among others, the Registered Shareholders pledge all of their equity interests in Linekong Entertainment to Beijing Linekong Online.

The Loan Agreement is for a term of ten (10) years commencing from April 14, 2008, and may be automatically extended for another ten (10) years upon each expiry. Linekong Entertainment is not contractually entitled to terminate the Loan Agreement with Beijing Linekong Online. The relevant portion of the loan will become due and payable upon Beijing Linekong Online's demand under any of the following circumstances: (i) the relevant Registered Shareholder resigning or is being removed from the various positions held by him/her in the Group, (ii) the death or incapacity of the relevant Registered Shareholder, (iii) the relevant Registered Shareholder is engaged or involved in criminal activities, (iv) the relevant Registered Shareholder becoming insolvent or incurring any other significant personal debt which may affect his/her ability to repay the loan under the Loan Agreement, or (v) Beijing Linekong Online exercising its option to purchase all equity interests in Linekong Entertainment to the extent permitted by PRC laws and regulations as soon as the PRC foreign ownership restrictions applicable to our Group's mobile and online games business have been lifted. The Loan Agreement provides that the loan can only be repaid by the relevant Registered Shareholder using proceeds he/she

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will receive upon Beijing Linekong Online or its designee exercises the irrevocable option to purchase Linekong Entertainment's equity interests pursuant to the Amended and Restated Exclusive Call Option Agreement.

CONFIRMATION FROM EACH OF THE REGISTERED SHAREHOLDERS AND EACH OF THEIR SPOUSES

On January 16, 2014, pursuant to the Amended and Restated Exclusive Call Option Agreement and the Amended and Restated Equity Pledge Agreement, each of the Registered Shareholders has provided a written confirmation, confirming that appropriate arrangements have been made to ensure that none of his/her successor, guardian, creditor, spouse or any other person who may be entitled to assume rights and interests in his/her equity interest in Linekong Entertainment upon his/her death, incapacity, divorce or any other circumstances that may affect his/her ability to exercise his/her shareholder's rights in Linekong Entertainment will carry out any act that may affect or hinder the fulfillment of his/her obligations under each of the agreements underlying the Contractual Arrangements to which he/she is a party. In addition, each of the spouses of Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu has also provided a written confirmation confirming that he/she will not carry out any act that may affect or hinder the fulfillment of the respective Registered Shareholder's obligations under each of the agreements underlying the Contractual Arrangements to which he/she is a party.

DISPUTE RESOLUTION UNDER THE CONTRACTUAL ARRANGEMENTS

Each of the Existing Agreements underlying the Contractual Arrangements stipulates that in the event of any dispute arising out of or in relation to the agreements underlying the Contractual Arrangements, the parties shall first negotiate in good faith to resolve such dispute. If the parties fail to reach an agreement on the resolution of such dispute within 30 days, any party may submit such dispute to the CIETAC for arbitration in accordance with the then effective arbitration rules. The arbitration shall be conducted in Beijing and the results of the arbitration shall be final and binding on all relevant parties.

In addition, pursuant to the dispute resolution clause, the arbitral tribunal may award remedies over the equity interests in or assets of Linekong Entertainment, including restrictions over the conduct of business, restrictions or prohibitions over or compelling the transfer or disposal of the equity interests or assets or ordering the winding up of Linekong Entertainment, and the courts of the PRC (being the place of incorporation of Linekong Entertainment and the place where our Company's and Linekong Entertainment's principal assets are located), Hong Kong and the Cayman Islands (being the place of incorporation of our Company) shall have jurisdiction to grant and/or enforce the arbitral award and to grant interim remedies over the equity interests in or assets of Linekong Entertainment.

Our PRC Legal Advisor confirms that the aforementioned dispute resolution provisions set forth in the agreements underlying the Contractual Arrangements are legally valid and binding on the relevant signatories. However, our PRC Legal Advisor is also of the opinion that the aforementioned provisions may not be enforceable under PRC laws. For instance, CIETAC has no power to grant such injunctive relief, nor will it be able to order the winding up of Linekong Entertainment under current PRC laws. In addition, interim remedies or enforcement orders granted by courts in an overseas jurisdiction, such as Hong Kong and the Cayman Islands, may not be recognized or enforceable in China, and Beijing Linekong Online may only seek interim remedies or enforcement from competent PRC courts. As a result, in the event that Linekong Entertainment or any of the Registered Shareholders breaches any of the Contractual Arrangements, we may not be able to obtain sufficient remedies in a timely manner, and our ability to exert effective control over Linekong Entertainment and its subsidiaries and conduct our

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business, as well as our financial conditions and results of operations, could be materially and adversely affected. Please also see the section headed “Risk Factors — Risks Relating to Our Corporate Structure — Certain terms of the Contractual Arrangements may not be enforceable under PRC laws.”

OPERATIONS IN COMPLIANCE WITH THE CONTRACTUAL ARRANGEMENTS

Our Group will adopt the following measures to ensure legal and regulatory compliance and to ensure the sound and effective operation of our Group (including Linekong Entertainment and its subsidiaries) and the implementation of the Contractual Arrangements upon Listing:

- (i) as part of the internal control measures, major risks and issues arising from implementation of the Contractual Arrangements will be regularly reviewed, at least on a quarterly basis, by our Board after Listing;
- (ii) matters relating to compliance and regulatory enquiries from government authorities (if any) will be discussed at these regular meetings;
- (iii) the relevant business units and operation divisions of our Group will report regularly, which will be no less frequently than on a monthly basis, to the senior management of our Company in relation to compliance and performance conditions under the Contractual Arrangements and other related matters;
- (iv) the company seals, financial seals, contract seals and crucial corporate certificates of Linekong Entertainment and its subsidiaries are kept by our Group’s finance department. Any employee of our Group who wishes to use the seals will have to obtain internal approval from the business, legal and/or finance department(s) (as the case may be) of our Group, as well as approval from relevant department head and vice president and the chief executive officer of our Company, depending on the importance or transaction value of the document to which the seal/seals will be affixed. The business, legal and/or finance departments constitute our Group’s central management system and the persons in charge of these departments as well as the department members responsible for the custody and handling of the seals and crucial corporate certificates are employees of Beijing Linekong Online or our Company;
- (v) because the Contractual Arrangements will constitute continuing connected transactions of our Group upon Listing, our Company has applied to the Stock Exchange, and the Stock Exchange has agreed to grant a waiver in relation to the continuing connected transactions, details of which is set out in the section headed “Connected Transactions” in this prospectus. Our Company will comply with the conditions to be prescribed by the Stock Exchange under the waiver given;
- (vi) if necessary, legal advisors and, or other professionals will be retained to assist our Group to deal with specific issues arising from the Contractual Arrangements and to ensure that the operation and implementation of the Contractual Arrangements as a whole will comply with applicable laws and regulations;
- (vii) our independent non-executive Directors will review the compliance of the Contractual Arrangements on an annual basis and their confirmation will be disclosed in our annual report;
- (viii) our Board (including the independent non-executive Directors) will ensure that any designee or person or entity designated by Beijing Linekong Online and the Registered Shareholders for the purpose of exercising any of the rights originally granted to Beijing Linekong Online and/or such designee under the Contractual Arrangements shall be restricted to a legally-held subsidiary of our Company (and which will be under the management control of our

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Company) or an authorized director of our Company or a legally-held subsidiary (whom shall own fiduciary duties to us). Our Board will also ensure that no rights shall be granted to any other third parties outside of our Group which does not owe any fiduciary duties to our Company;

- (ix) our Board (including the independent non-executive Directors) will ensure that Beijing Linekong Online will only approve and consent to the relevant operating entity carrying out such game operation and ancillary business which would otherwise be prohibited or restricted to be carried out by foreign invested entities under relevant PRC laws and regulations;
- (x) our Board (including the independent non-executive Directors) will ensure that Linekong Entertainment and its relevant operating subsidiaries (as the case may be) shall retain and continue to hold all relevant intellectual properties, including trademarks, computer software copyrights and domain names, required for the purpose of maintaining and renewing its operating licenses and permits as required by relevant PRC government authorities, and going forward and to the extent permissible under PRC laws and regulations, Beijing Linekong Online or any other legally held member of the Group shall be the registered owner of any other newly developed and non-game related trademarks which will be material to the business of the Group; and
- (xi) our Group will unwind the Contractual Arrangements as soon as relevant PRC laws and regulations allow the Principal Business to be conducted and operated by owned subsidiaries of our Company without such arrangements in place.

To ensure that the Registered Shareholders and Linekong Entertainment will comply with the Contractual Arrangements, we have decided to further introduce the following measures:

- (i) the three independent non-executive Directors will continue to play an independent role in our Board by reviewing the effective implementation of the procedures and controls referred to above and compliance of our Contractual Arrangements; and
- (ii) going forward, each of Mr. Wang Feng and Ms. Liao Mingxiang, being our executive Directors and the Registered Shareholders, shall abstain from voting on any resolutions at any board meeting or shareholders' meeting of our Company or Linekong Entertainment (as the case may be) in which he/she may have conflict of interest.

We also believe that Mr. Wang Feng and Ms. Liao Mingxiang, being the Chairman and President as well as executive Directors of our Company, will uphold their fiduciary duties in acting in the best interests of our Company and our shareholders as a whole and will also uphold good governance practices to ensure that the Contractual Arrangements will be implemented and operated in accordance with our Group's policies and the terms of the Contractual Arrangements, which our Directors considered that such terms and arrangements are fair and reasonable and in the best interest of our Company and its shareholders as a whole.

There are certain risks involved in our operations, in particular, those relating to our corporate structure and the Contractual Arrangements. A detailed discussion of material risks relating to our corporate structure is set forth in the section headed "Risk Factors — Risks Relating to Our Corporate Structure." As of the Practicable Date, the Company did not purchase any insurance to cover the risks relating to the Contractual Arrangements. We have determined that the costs of insurance for the risks associated with business liability or disruption and the difficulties associated with acquiring such insurance on commercially reasonable terms make it impractical for us to have such insurance, for further

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details, please refer to the section headed “Risk Factors — Risks relating to our Business — Our lack of insurance could expose us to significant costs and business disruption.” in this prospectus.

EFFECT OF THE CONTRACTUAL ARRANGEMENTS

We believe that the Contractual Arrangements provide a mechanism that enables us to exercise effective control over Linekong Entertainment and its subsidiaries, is narrowly tailored to achieve our business purposes and to protect and safeguard the interests of our Company and our future public shareholders in the event of any dispute between us and the Registered Shareholders on the following basis:

- (i) under the Powers of Attorney, the Registered Shareholders have irrevocably granted their designees (being an authorized director of any direct or indirect shareholder of Beijing Linekong Online or his/her successor (including any liquidator in replacement of such director or his/her successor) who is a PRC citizen but excluding the Registered Shareholders, any other shareholders of Linekong Entertainment or any of their associates) the power to exercise all of their respective shareholders’ rights in Linekong Entertainment. These provisions provide Beijing Linekong Online with the power to determine or change the composition of the board of directors and management team of Linekong Entertainment at any time, which in turn provides Beijing Linekong Online with the power to control Linekong Entertainment without the need for any further action or cooperation from the Registered Shareholders and thereby conferring the management control of Linekong Entertainment on our Company and our legally-owned subsidiaries;
- (ii) under the Amended and Restated Exclusive Call Option Agreement, each of the Registered Shareholders has granted Beijing Linekong Online (exercisable by itself or any direct or indirect shareholder of Beijing Linekong Online and a direct or indirect subsidiary of such shareholder (i.e. being any member of our Group) or an authorized director (being a PRC citizen) of any such member of our Group as designated by Beijing Linekong Online irrevocable options to purchase from the Registered Shareholders all or part of the equity interests in Linekong Entertainment at the minimum purchase price permitted under PRC laws and regulations or to acquire from Linekong Entertainment all or part of its assets at any time at the net book value of such assets or the minimum purchase price permitted under PRC laws and regulations. These provisions enable Beijing Linekong Online to unilaterally appoint members of our Group or an authorized director of a member of our Group (whom shall own fiduciary duties to our Group and shall act in the best interests of our Group) to act as nominee shareholders of its choice to take over the equity interest in Linekong Entertainment at any time and thereby ensuring that our Group will continue to maintain our interest in Linekong Entertainment upon the exercise of the call option pursuant to the Amended and Restated Exclusive Call Option Agreement; and
- (iii) under the Amended and Restated Equity Pledge Agreement, the Registered Shareholders pledged their equity interest in Linekong Entertainment to Beijing Linekong Online, and all such pledges have been properly registered with the local counterpart of SAIC as required by the PRC Property Rights Law. The registered pledges effectively prevent the Registered Shareholders from impeding Beijing Linekong Online’s control over Linekong Entertainment by transferring their equity interests in Linekong Entertainment to bona fide third parties without Beijing Linekong Online’s knowledge or approval;

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- (iv) the arrangement under the Amended and Restated Exclusive Technology Consulting and Service Agreement will ensure that all economic benefits generated from the operations of Linekong Entertainment and its subsidiaries will flow to Beijing Linekong Online whilst ensuring compliance with applicable PRC laws and regulations and allowing Linekong Entertainment and its relevant operating subsidiaries to continue to maintain and renew the relevant operating licences and permits as required by relevant PRC government authorities and to operate such value-added telecommunication service and business which are restricted or prohibited to be conducted by foreign investors or foreign owned or invested entities, and hence, is in the best interest of our Company and our Group as a whole. The delineation of the assets and staffing between Beijing Linekong Online, which shall be responsible for driving key business decision-making processes and provide overall business advices and consulting services, and Linekong Entertainment and its subsidiaries, which shall be responsible for game development and operations and the holding of relevant game-related intellectual properties in compliance with relevant PRC laws and regulations and the conditions of the ICP Licenses granted to Linekong Entertainment and its subsidiaries, would allow a proper discharge of the respective responsibilities of Beijing Linekong Online and Linekong Entertainment under the Contractual Arrangements and also ensure sound and effective operation of our Company and our Principal Business in compliance with the Contractual Arrangements and applicable laws and regulations; and
- (v) under the Amended and Restated Exclusive Call Option Agreement, Linekong Entertainment has further undertaken to procure that all of its subsidiaries will only be engaged in carrying out game operations and ancillary businesses as approved by Beijing Linekong Online and which shall be in compliance with applicable requirements under relevant laws and regulations, rules and guidance from regulatory authorities, approvals and licenses. We, through Beijing Linekong Online, will only approve and consent to the relevant subsidiary carrying out such game operations and ancillary businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose. In addition to the undertakings given by Linekong Entertainment under the Contractual Arrangements, we further undertake to procure all PRC subsidiaries of Linekong Entertainment to only carry out such game operations and ancillary businesses, which would otherwise be prohibited or restricted to be carried out by foreign invested entities under PRC laws and regulations so as to ensure that the Contractual Arrangements are narrowly tailored for our business purpose.

LEGALITY OF THE CONTRACTUAL ARRANGEMENTS

Our PRC Legal Advisor is of the opinion that except for the dispute resolution provisions of the Contractual Arrangements regarding the remedies that may be awarded by the arbitration tribunal and the power of courts in Hong Kong and the Cayman Islands to grant interim remedies in support of the arbitration may not be recognized or enforced by PRC courts, (i) the Contractual Arrangements, taken individually and collectively, are legal and valid and do not violate applicable PRC laws and regulations and the article of association of each of Beijing Linekong Online and Linekong Entertainment; (ii) the Contractual Arrangements are legally binding and enforceable on the parties of each of the agreements underlying the Contractual Arrangements in accordance with their terms and provisions under applicable PRC laws and regulations, and (iii) each of the agreements underlying the Contractual Arrangements does not fall within any of the circumstances under Article 52 of the PRC Contract Law pursuant to which the contracts would be determined to be invalid. In particular, they will not be deemed as “concealing an

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illegitimate purpose under the guise of legitimate acts” under Article 52 of the PRC Contract Law. However, there can be no assurance that the PRC government authorities will take a view in the future that is not contrary to or otherwise different from the opinion of our PRC Legal Advisor stated above, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements.

Our PRC Legal Advisor is also of the opinion that the execution, delivery and effectiveness of each of the agreements underlying the Contractual Arrangements do not require any approvals from or filings with PRC governmental authorities, except for (i) the equity pledge under the Amended and Restated Equity Pledge Agreement, which was properly registered with the local counterparts of the SAIC on March 28, 2014, and (ii) any transfer of equity interests in Linekong Entertainment pursuant to the terms of the Amended and Restated Exclusive Call Option Agreement, which will have to be filed with relevant governmental authorities upon the exercise of the call option under the Amended and Restated Exclusive Call Option Agreement.

Relevance of recent PRC Supreme Court decision and two arbitration decisions

In light of the recently reported PRC Supreme Court decision and the two arbitration decisions (see “Risk Factors — Risks Relating to Our Corporate Structure — If the PRC government finds that the agreements that establish the structure for operating our online game business in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in Linekong Entertainment”), our PRC Legal Advisor has advised us that:

- (i) the Contractual Arrangements are distinguishable from the facts in the PRC Supreme Court ruling, as reported, because:
 - (a) it is reported that the entrustment agreement under the reported PRC Supreme Court decision expressly provided that the Hong Kong company authorized the domestic company to hold the subscribed shares of the PRC bank on behalf of the Hong Kong company; however, there is no such provision in any VIE agreement underlying a typical VIE structure, which typically provide that the registered shareholders authorize a designated third party of the WFOE to act on his behalf and to exercise all rights associated with the equity interests held by the registered shareholders, such as the voting rights;
 - (b) pursuant to public available information, the Hong Kong company expects to receive economic benefits in the form of loan interest from the entrusted investment arrangement, but under a typical VIE structure, the loan agreement is normally used to provide funding for the registered shareholders’ investment in the domestic company, and the WFOE will receive the economic benefits from the domestic company through provision of various services to the domestic company, which is not prohibited under the PRC laws. It is also worth noting that the signing party to the agreements in question was the Hong Kong company, an offshore entity, whereas in a typical VIE structure, a WFOE is set up in the PRC to sign the various service agreements with the PRC operating entities. A WFOE is a PRC entity duly authorized by the PRC governmental authorities to carry out business activities in China in accordance with its approved business scope, whereas as an offshore entity, the HK Company’s ability to conduct business in China is limited and subject to more approval requirements. For example,

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under a typical VIE arrangement, the WFOE is entitled to the fees for the services it provides to the PRC operating entities and the services provided are within its business scope approved by relevant PRC governmental authorities. It remains unknown based on the publicly available information whether the arrangement in the Supreme Court case, through which the Hong Kong company expected to receive return for its entrusted investment in the form of loan interests, had satisfied the required foreign exchange approval or registration procedures, including the procedures for foreign currency loans;

- (ii) the PRC Supreme Court ruling may not be considered as authority in deciding other similar cases as it is not a guiding case (指導性案件) published by the PRC Supreme Court which all lower level people's courts throughout China should use as guidance; and
- (iii) the arbitration decisions, as reported, shall only be binding upon parties in dispute and shall not be taken as authority in deciding other cases due to the private and confidentiality nature of the arbitrations.

Tax requirements relating to the Contractual Arrangements

In terms of tax requirements relating to the Contractual Arrangements, as advised by our PRC Legal Advisor, pursuant to the PRC Property Rights Law, Beijing Linekong Online (as the pledgee) shall have the right to receive all yields accrued from the entire pledged equity interest in Linekong Entertainment, and which shall include dividends or other distributions declared to the Registered Shareholders and Beijing Linekong Online will be subject to value-added tax and enterprise income tax upon the receipt of such dividends or distributions and the Registered Shareholders will be subject to PRC individual income tax when they receive the dividends or other distributions declared and paid by Linekong Entertainment. Apart from the aforementioned taxes, our PRC Legal Advisor confirms that there are no other legal, regulatory or tax requirements in respect of the receipt of such dividend or other distribution by Beijing Linekong Online from the Registered Shareholders in the PRC. It is also confirmed that there is no legal impediment for our Group to fulfill the aforementioned tax requirements.

In addition, our PRC Legal Advisor is also of the view that based on (i) the tax certificates issued by relevant tax authorities and (ii) the fact that the Contractual Arrangements and the transactions thereunder will have negative rather than favorable impact on the tax liabilities of our Group before the Contractual Arrangements are entered into, the entering into of the Contractual Arrangements should not be seen as, an attempt to circumvent any tax obligations of our Group which may otherwise be subject to challenges by the tax bureaus or government authorities. Furthermore, as of the Latest Practicable Date, none of Beijing Linekong Online, Linekong Entertainment and its subsidiaries has been investigated, challenged or penalized for any transfer pricing-related matter.

GAPP Online Game Notice

On September 28, 2009, the GAPP, the National Copyright Administration (國家版權局) and the National Office of Combating Pornography and Illegal Publications (國家掃黃打非辦公室) jointly published the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Online Games (《關於貫徹落實國務院《“三定”規定》和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》), or the GAPP Online Game Notice. The GAPP Online Game Notice prohibits foreign investors from participating in and operating online game businesses through foreign-invested enterprises in China, and from controlling and participating in such businesses of domestic companies indirectly through other forms of joint ventures or contractual or technical support

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arrangements. As no detailed interpretation of the GAPP Online Game Notice has been issued to date, it is not clear how the GAPP Online Game Notice will be implemented. Furthermore, as some other primary governmental regulators, such as the MOFCOM, the MOC and the MIIT, did not join the GAPP in issuing the GAPP Online Game Notice, the scope of the implementation and enforcement of the GAPP Online Game Notice remains uncertain.

On January 15, 2014, we and the Joint Sponsors, assisted by our PRC Legal Advisor, Fangda Partners, and the Joint Sponsors' PRC legal advisor, Global Law Office, interviewed a Chief (處長) and a key officer-in-charge of the Beijing Press and Publication Bureau (北京市新聞出版廣電局) with respect to GAPP Online Game Notice as well as the Contractual Arrangements. Based on the interview with the relevant officials, Beijing Press and Publication Bureau (北京市新聞出版廣電局) regulates, reviews and approves the publication of mobile and online games and issues relevant licenses for the publishing of mobile and online games to online games operators. Our PRC Legal Advisor also considers that the Beijing Press and Publication Bureau is a competent government authority for the administration and supervision of mobile and online games publishing in which Linekong Entertainment operates and that the interviewees are properly authorized and of ranking that could represent the Beijing Press and Publication Bureau at the interview and provide the various confirmations at the interview for and on behalf of the Beijing Press and Publication Bureau. Based on such interview and the view of the interviewees, our PRC Legal Advisor confirms that the agreements underlying the Contractual Arrangements, taken individually and collectively, would not constitute a breach or violation of the GAPP Online Game Notice and would not result in any administrative proceedings or penalties nor would be invalidated under the GAPP Online Game Notice for the following reasons:

- (i) according to the relevant provisions of the Regulations on the Main Functions, Internal Organization and Staffing of GAPP (《國家新聞出版總署(國家版權局)主要職責內設機構和人員編制規定》) issued by the General Office of the State Council on July 11, 2008, GAPP is authorized to pre-approve the publication of online games, while the MOC is authorized to administer and regulate the overall online game industry;
- (ii) the Three Determination Notice provides that MOC (instead of GAPP), has the direct authority for investigation and enforcement over the online game operators after the publication of online games on the Internet;
- (iii) no implementation rule or interpretation of the GAPP Online Game Notice has been issued by GAPP or any other governmental authority;
- (iv) in practice, Beijing Press and Publication Bureau, a counterpart at the provincial level of the GAPP, has never, individually or collectively with other PRC regulatory authorities, imposed any administrative proceedings or penalties on any online game company in accordance with the GAPP Online Game Notice, and Beijing Press and Publication Bureau understands that it is subject to the opinion of Beijing MOC, who has the regulatory authority to regulate the online game industry in Beijing, as to whether the Contractual Arrangements violate the PRC laws and regulations on foreign investment in the online game industry; and
- (v) if a PRC operating entity and a foreign-invested enterprise entered into a series of contractual arrangements, such contractual arrangements are not subject to any filing requirement or approval from Beijing Press and Publication Bureau and the Beijing Press and Publication Bureau will not interfere with any internal operations or corporate management of an entity or any contractual arrangements between entities and that Beijing Press and Publication Bureau will not request the entities to terminate their contractual arrangements.

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Interview with Beijing Communications Administration

On January 15, 2014, we and the Joint Sponsors, assisted by our PRC Legal Advisor, Fangda Partners, and the Joint Sponsors' PRC legal advisor, Global Law Office, also interviewed a Chief (處長) of Beijing Communications Administration (北京市通信管理局) with respect to the Contractual Arrangements and the operation of value-added telecommunications services. As confirmed by the interviewee, Beijing Communications Administration has issued a ICP License to Linekong Entertainment for the purpose of conducting its Internet content business and pursuant to current policies, foreign investors are restricted to conduct value-added telecommunications services or Internet content business. However, the interviewee also confirmed that if a PRC operating entity and a foreign-invested enterprise entered into a series of contractual arrangements and such contractual arrangements do not involve any direct equity investment, then such contractual arrangements shall constitute business and operating agreements which do not require any approval from the Beijing Communications Administration. Our PRC Legal Advisor considers that the Beijing Communications Administration is a competent government authority for the administration and supervision of Internet content providers in which Linekong Entertainment operates and that the said Chief is properly authorized and of ranking that could represent the Beijing Communications Administration at the interview and provide the various confirmations at the interview for and on behalf of the Beijing Communications Administration.

Interview with Beijing MOC

On January 16, 2014, we and the Joint Sponsors, assisted by our PRC Legal Advisor, Fangda Partners, and the Joint Sponsors' PRC legal advisor, Global Law Office, consulted with a Chief (處長) of Beijing MOC (北京市文化局) with respect to the Contractual Arrangements. As advised by our PRC Legal Advisor, Beijing MOC is the competent government authority for the administration of the mobile and online game industry in which Linekong Entertainment operates and for interpretation of relevant laws and regulations of the PRC, and the said Chief is a representative of Beijing MOC and in charge of the review, approval and issuance of the Internet Culture Business License (網絡文化經營許可證) and the general administration of online game companies in Beijing.

Beijing MOC has confirmed that:

- (i) Linekong Entertainment is one of the entities regulated by Beijing MOC and is required to obtain the Internet Culture Business Permit (網絡文化經營許可證) for its operations;
- (ii) foreign investors are prohibited from holding equity interests in an entity conducting online games business, and accordingly, a foreign invested entity will not be granted an Internet Culture Business Permit (網絡文化經營許可證) to conduct online game business;
- (iii) based on existing PRC regulations and policies, in the event that a foreign investor invests in an entity conducting online games business or in the event of a shareholding change involving foreign investment in an entity conducting online games business, the foreign investor will have to rectify such investment or the Internet Culture Business Permit (網絡文化經營許可證) will be revoked; and
- (iv) if a PRC operating entity and a foreign-invested enterprise entered into a series of contractual arrangements, such contractual arrangements are not subject to any filing requirement or approval from Beijing MOC and are not in violation of any relevant PRC laws and regulations concerning the operations of online games business.

We have complied in good faith in all material respects with relevant PRC laws and regulations. As of the Latest Practicable Date, we have not encountered any interference or encumbrance from any PRC

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governmental authority in operating our business pursuant to the Contractual Arrangements. However, our PRC Legal Advisor has advised us that there can be no assurance that the relevant PRC governmental authorities will not take views contrary to the above in the future, and there is also the possibility that the PRC government authorities may adopt new laws and regulations in the future which may invalidate the Contractual Arrangements. Please refer to the section headed “Risk Factors — Risks Relating to Our Corporate Structure — If the PRC government finds that the agreements that establish the structure for operating our online game businesses in China do not comply with applicable PRC laws and regulations, or if these regulations or their interpretations change in the future, we could be subject to severe consequences, including the nullification of the Contractual Arrangements and the relinquishment of our interest in Linekong Entertainment” in this prospectus.

As advised by our PRC Legal Advisor, there is no statutory obligation imposed on our Group or Beijing Linekong Online to provide financial assistance or additional funds to offset or cover any losses incurred by Linekong Entertainment as a result of its business operations. As Linekong Entertainment and its subsidiaries are treated as indirect subsidiaries of our Group, the adverse economic consequence of any losses incurred by Linekong Entertainment is that our Group will record the losses of Linekong Entertainment in our Group’s consolidated financial statements.

BASIS OF CONSOLIDATING THE FINANCIAL RESULTS OF LINEKONG ENTERTAINMENT

According to IFRS 10 — Consolidated Financial Statements, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Under the Powers of Attorney, Beijing Linekong Online assumes all rights as a shareholder and exercises control over Linekong Entertainment, including the right to attend shareholders’ meetings and pass any shareholders’ resolution of Linekong Entertainment, exercise all shareholders’ rights in accordance with applicable laws and the articles and constitutional documents of Linekong Entertainment, including but not limited to the exercise of voting rights in shareholders’ meetings, sell, transfer, pledge or otherwise dispose of all or part of the equity interests held in Linekong Entertainment, submit and/or file any documents or information to relevant companies registry, and elect and appoint the legal representative, chairman, directors, supervisors, general manager and other senior management of Linekong Entertainment. As a result of these agreements, the Company has obtained control of Linekong Entertainment and its subsidiaries through Beijing Linekong Online and, under the Company’s sole discretion, can receive substantially all of the economic interest returns generated by Linekong Entertainment and its subsidiaries.

Under the Exclusive Technology Consulting and Service Agreement entered into by and among Beijing Linekong Online and Linekong Entertainment, it was agreed that Linekong Entertainment shall pay Beijing Linekong Online a service fee that equal to the profit before taxation of Linekong Entertainment, including all profits of its subsidiaries attributable to Linekong Entertainment, and any other distributions received by Linekong Entertainment from its subsidiaries, in any given year but without taking into account the service fee payable under the agreement and after offsetting the prior-year loss (if any) and deducting such amounts as required for working capital, expenses and tax of Linekong Entertainment and its subsidiaries in any given year. Beijing Linekong Online may adjust the service fee at its sole discretion and allow Linekong Entertainment to retain sufficient working capital to carry out any growth plans. Accordingly, Beijing Linekong Online has the ability, at its sole discretion, to extract substantially all of the economic benefit of Linekong Entertainment and its subsidiaries through the Exclusive Technology Consulting and Service Agreement.

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Due to the fact that all the companies now comprising our Group (including, among others, our Company, Beijing Linekong Online and Linekong Entertainment and its subsidiaries) were ultimately and beneficially controlled by the same controlling shareholders, being the Registered Shareholders, during the Track Record Period (or where the entity was established on a date later than January 1, 2012, for the period from the date of establishment to June 30, 2014), and the fact that the control is not transitory and there is a continuation of the risks and benefits to the controlling shareholders, all the companies now comprising our Group are considered to be a combination of entities under common control.

In addition, our Directors consider that although our Group does not hold any equity interest in the Linekong Entertainment, our Group has obtained financial and operational control of Linekong Entertainment through Beijing Linekong Online pursuant to the terms of the agreements underlying the Contractual Arrangements. Accordingly, our Directors consider that the Company can consolidate the financial results of Linekong Entertainment and its subsidiaries as indirect subsidiaries of our Company under IFRS. The basis of consolidating the results of Linekong Entertainment is disclosed in note 2.2(a) to the Accountant's Report set out in Appendix I to this prospectus.

OVERVIEW

We have been a reputable online game company and became a leading mobile game developer and publisher in China in recent years. According to the Analysys Report, we are a leader in mobile game development business and we ranked fifth among all mobile game developers in China with a market share of 3.62% and 3.11%, respectively, in 2013 and the first seven months of 2014 in terms of gross billings from self-developed games; and we have emerged as a leader in mobile game publishing business since we started publishing third-party developed mobile game at the end of March 2014 and we ranked eighth among all mobile game publishers in China with a market share of 4.17% in terms of gross billings from third-party developed mobile games in April to July 2014. During the Track Record Period, we had commercialized three mobile games and all of them had achieved Peak Monthly Gross Billings of more than RMB30 million up to June 30, 2014.

The mobile game market in China is believed to have great potential for future growth as a result of rising penetration of smartphones and other mobile devices and high-speed mobile and Wi-Fi networks. According to the Analysys Report, the market size of mobile games in China reached RMB13.9 billion in 2013 and is expected to continue to grow at a CAGR of 45.4% through 2016.

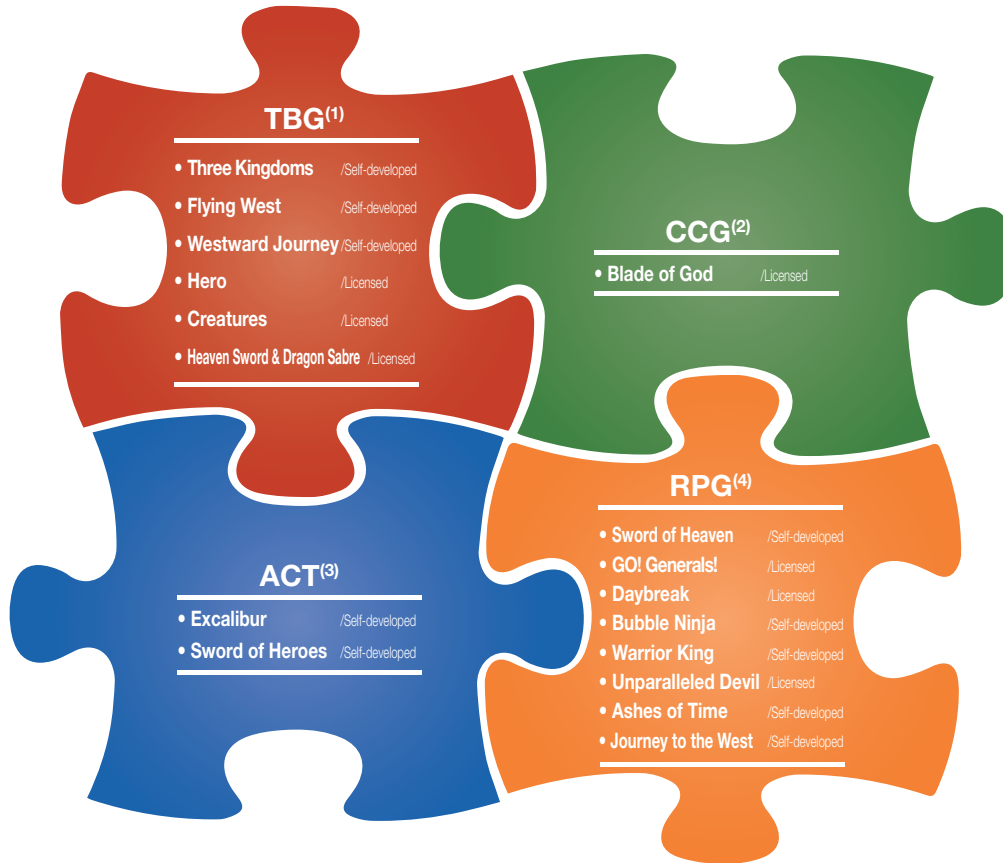
We focus on quality throughout our game development process and specialize in developing midcore and hardcore games that offer fascinating interactive experience, grand scenes, exquisite graphics, rich contents, diverse gameplays and therefore require strong game development capability. According to the Analysys Report, midcore and hardcore games generally have longer life-spans and higher gross billings than casual games. In addition, recent mobile devices with large, high-resolution touch-screens and faster CPU and GPU have allowed the presentation of exquisite graphics and videos and the creation of new control techniques that are particularly important to midcore and hardcore games. We believe our extensive experience in developing and publishing midcore and hardcore games have well positioned us to seize the enormous market opportunity for midcore and hardcore mobile games.

We publish our self-developed games as well as games licensed from third-party developers under exclusive licenses. We have developed our expertise in identifying the most popular game genres and are highly selective with our licensed games. We only license third-party developed games that are of comparable quality to our self-developed games and with great potential for commercial success. We work closely with the developers of our licensed games and leverage our experience and market know-how to improve the flow and rhythms of the games as well as monetization strategies.

As of the Latest Practicable Date, we had commercialized 17 online games, including ten self-developed games and seven licensed games. Among these games, five are mobile games, four are webgames, seven are client-based games and one has both client-based version and web version. All of our games, whether self-developed or licensed, are marketed under our “Linekong” brand and operated by us in China. For details about our games, please refer to “— Our Games”.

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As of the Latest Practicable Date, our games that had been commercialized or started open Beta testing primarily include RPGs, TBGs, ACT games and CCGs. We believe our self-developed games and licensed games together cover all major genres of midcore and hardcore games as illustrated by the chart below:



Note:

- (1) TBGs refer to turn-based games in which the flow of combat is split into turns and each player is allowed a designated time period to formulate his or her game actions.
- (2) CCGs refer to collectible card games in which players put together their own decks of specially designed playing cards by acquiring cards through trading with other players or buying card packs and then use the decks to play against other players.
- (3) ACT games refer to action games in which players control the avatar of a protagonist to navigate different levels of the game, collect objects, avoid obstacles and battle enemies with various attacks, with emphasis on players' hand-eye coordination and reaction time.
- (4) RPGs refer to role-playing games in which each player adopts the role of one or more "characters" who develop specific skill sets, controls the character's actions, and interacts with other players in an evolving fictional world.

All of our games are free to play. We generate revenues primarily from selling virtual items that enhance game players' in-game experience, such as enhancing the powers, abilities, attractiveness and social interaction of their characters in games, or enabling them to advance in the games more conveniently. Our players purchase virtual credits with real money and then exchange virtual credits for various virtual items we offer in our games.

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When we publish our games ourselves, we assume the primary responsibilities in rendering services to paying players of our games and recognize revenue from sales of in-game virtual items to paying players when services represented by such virtual items are provided to the respective paying players. We pay service charges and fees to various third parties including, among others, developers of our licensed games, distribution channels and payment collection channels. Our major distribution channels include our own distribution channel (8864.com), third-party online application stores, mobile game portals and mainstream webpage portals.

When we license our games to third-party licensees in overseas markets, we do not assume the primary responsibilities in rendering services to paying players and generate revenue from licensing fee and technical service fee paid by such licensees of our games.

Our business experienced rapid growth during the Track Record Period. Average DAUs of our games increased by 21.8% from 443.1 thousand in 2012 to 539.7 thousand in 2013 and further increased by 47.0% to 793.6 thousand in the ten months ended October 31, 2014. Since we expanded into mobile games in late 2012, average DAUs of our mobile games increased sharply from 0.5 thousand in 2012 to 212.8 thousand in 2013 and further increased by 199.2% to 636.7 thousand in the ten months ended October 31, 2014. Average MAUs of our games slightly decreased from 3.6 million in 2012 to 3.4 million in 2013 but increased by 47.1% to 5.0 million in the ten months ended October 31, 2014. Average MAUs of our mobile games increased sharply from 6.6 thousand in 2012 to 1.5 million in 2013 and further increased by 200.0% to 4.5 million in the ten months ended October 31, 2014.

Our revenue increased rapidly during the Track Record Period. Our revenue increased by 93.9% from RMB265.6 million in 2012 to RMB515.0 million in 2013, and increased by 53.2% from RMB236.8 million for the six months ended June 30, 2013 to RMB362.8 million for the same period in 2014. In conformity with IFRS, the service charges by distribution channels are recorded as cost of revenue. If service charges by distribution channels were to be deducted from our revenue for the relevant period, the resulting figures would be RMB181.4 million and RMB342.0 million in 2012 and 2013, respectively, and RMB158.2 million and RMB237.9 million for the six months ended June 30, 2013 and 2014, respectively. We incurred loss of RMB123.0 million and RMB399.4 million in 2012 and 2013, respectively, and RMB92.8 million and RMB78.9 million in the six months ended June 30, 2013 and 2014, respectively. We had non-IFRS adjusted profit of RMB20.9 million and RMB84.3 million in 2012 and 2013, respectively, and RMB40.7 million and RMB92.4 million in the six months ended June 30, 2013 and 2014, respectively. Our non-IFRS adjusted EBITDA was RMB31.5 million and RMB108.5 million in 2012 and 2013, respectively, and RMB56.4 million and RMB100.7 million in the six months ended June 30, 2013 and 2014, respectively. For reconciliation of the non-IFRS measures to IFRS loss for the year/period, please see “Financial Information— Non-IFRS Measures” in this prospectus.

COMPETITIVE STRENGTHS

We attribute our past success to the following competitive strengths:

The quality of our games is our key competitive strength

We believe the quality of our games is our key competitive strength. We view our games as artworks with aesthetic value, similar to literature, dramas and movies. To that end, we often borrow themes from popular literature and historical events, compose rich storylines, create epic combat scenes, and load our games with high-definition graphics and videos, 3D visual and high-fidelity audio effects. We also resort to film production theories in the careful selection of viewing angles and shots and use special visual effects to enhance the sense of reality and the impact of the game characters' actions. Our

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games' quality and popularity are evidenced by the numerous awards and honors we have received. *Sword of Heaven* was named as the “Top-Ten Most Anticipated Original Mobile Game” (“十大最受期待原創手機遊戲”) by GIAC in 2014. *Excalibur* was named as “Outstanding Mobile Game”(“優秀手機遊戲”) and “Top-Ten Most Popular Original Mobile Game” (“十大最受歡迎的原創移動遊戲”) by GIAC in 2013. *Blade of God* was named as the “Best Collectible Card Mobile Game” (“最佳卡牌手機遊戲”) on the 2nd Global Mobile Game Congress in 2014. For many other awards and honors received by our games, please see “— Awards and Honors.”

The quality of our games enhances the value of our “Linekong” brand, attracts more enthusiastic game players to our games, and strengthens our bargaining power in cooperation with third-party distribution channels and helps us gain more promotion and support for our games from our distribution channels.

A proven track record of developing and publishing successful mobile games

We had commercialized three mobile games, *Excalibur*, *Sword of Heaven* and *Blade of God*, during the Track Record Period and all of them had achieved Peak Monthly Gross Billings of more than RMB30 million up to June 30, 2014. The following table sets forth the respective Peak Monthly Gross Billings of these games as well as the components thereof:

Title	Peak Monthly Gross Billings	Components of Peak Monthly Gross Billings		
		Gross Billings from Paying Players resulting from our self-publishing of the game in China	Fees from Third-Party Publishers in overseas markets	
			License fee paid by the publishers to us	Technical service fee payable by the publishers to us in overseas markets
1. <i>Excalibur</i>	RMB33.2 million	RMB30.7 million	RMB2.1 million	RMB0.4 million
2. <i>Sword of Heaven</i>	RMB31.3 million	RMB27.0 million	RMB1.8 million	RMB2.5 million
3. <i>Blade of God</i>	RMB41.0 million	RMB41.0 million	—	—

We believe the results we have achieved in our first three mobile games have established our leading position in the mobile game market in China.

Extensive experience in midcore and hardcore games

We started game development in 2007 and have been focusing on the development of midcore and hardcore games. According to the Analysys Report, midcore and hardcore games generally have longer life-spans and higher gross billings than casual games, but require stronger game development capability and have higher entry barrier for game developers. We successfully published 12 high-quality midcore and hardcore client-based games and webgames prior to 2013, which helped us accumulate extensive experience in midcore and hardcore games. Such experience laid a solid foundation for our rapid and successful expansion into the mobile game market. We became one of the earliest game developers in China that have brought midcore and hardcore games to the mobile game market. During the Track Record Period, we published three midcore and hardcore mobile games, all of which had achieved great commercial success.

Driven by strong game technology

Our game development is driven by our strong game technology. We have established a Linekong Game Technology Center that has been focusing on the development, upgrade and optimization of our game engines, including map editors, special effects editors, animation editors and tasks editors. The

centre also designs and develops peripheral game development tools and writes common modules for specific functions or effects that could be used across our various games. These engines, tools and common modules are our key technologies and have significantly increased the efficiency of our game development process and helped us continuously improve the quality of our games. Through the centre, we are also able to centrally manage these key technologies and thereby decrease the risk of losing them as a result of employee turnover. For further information on our Linekong Game Technology Center, please refer to “— Game Development — Linekong Game Technology Center.”

Comprehensive game publishing and operating system

We have a comprehensive game publishing system. We have our own game distribution platform, www.8864.com, which had approximately 84.2 million registered users as of October 31, 2014 and is dedicated to the distribution of our games. We were named as the “2014 Top-Ten Game Publisher” at the 4th Mobile Game Summit in 2014.

We have established cooperative relationships with about two hundred third-party distribution channels and, to allow us to quickly roll out our games on all of these channels, we have developed OKSDK, an interfacing software that can be easily packaged with our games and make them installable on these third-party distribution channels’ platforms.

Through more than seven years of continuous efforts, we have established a comprehensive electronic unified operation system (“EUOS”), which includes a unified player registration system, electronic billing system, game master system, client relationship management system, advertisement analysis system and game cards system. Our EUOS continuously collects massive amounts of data about our games, our players, purchases of our virtual credits and virtual items and their consumption, our various business activities and operating results and then analyze and process such data through our business intelligence, or BI, platform on an almost real-time basis to guide our game optimization, operation, marketing and promotion. For further information on our EUOS, please refer to “— Game Operation — Electronic Unified Operation System.”

We also utilize public accounts of WeChat to keep in touch with our players. We opened public account on WeChat for reach of our mobile games and encourage players to subscribe to such accounts so that they can receive various information about our games and communicate with us. As of the Latest Practicable Date, we had in the aggregate more than 800,000 subscribers to the public accounts of our mobile games commercialized or in open Beta testing.

Experienced and visionary management team

Mr. Wang Feng, our co-founder, Chairman and CEO, has more than ten years’ experience in the online game industry and over 16 years’ experience in the Internet industry. Before founding our business, Mr. Wang worked at Beijing Kingsoft Software Co., Ltd. (北京金山軟件有限公司) as the vice president in charge of digital entertainment from January 2004 to November 2006, during which period, Beijing Kingsoft Software Co., Ltd. published several major online games that were very popular in China at the time. Mr. Wang is also a well-known figure in the Internet industry in China and his personal influence has helped us establish relationships with business partners and promote market awareness of our games. Ms. Liao Mingxiang, our co-founder and president, has more than 14 years’ experience in the Internet industry. The vision of our management team enabled us to evolve our focus from client-based games to webgames and to mobile games in line with industry trends and technology development and maintain our industry leading position.

OUR STRATEGIES

Our goal is to consolidate our leading position in mobile game industry in China, actively expand into overseas markets and make ourselves a respected leader in the online game industry. We intend to achieve our goal by pursuing the following strategies:

Develop more high-quality games to bring innovative and joyful game experience to our players and enhance the value of our brand

We believe developing high-quality games is in our corporate DNA, and as its natural expression, we will develop and publish more high-quality games that bring innovative and joyful game experience to our players. We will also endeavor to enhance the awareness of our brand by prominently displaying our “Linekong” brand in our games so that players can associate our brand with high-quality games. We will continue to set high standards in the selection of our game development projects, introduce innovative features and techniques to our games, and take all measures to make our games more and more appealing to our players. We will also continue to develop and accumulate our own intellectual properties and develop sequel games for our existing successful games, similar to *Sword of Heroes* (英雄之劍) that has been successfully developed as a sequel game for *Excalibur* (王者之劍). We also intend to acquire more intellectual properties and have obtained exclusive license to adapt *The Legend of Zhen Huan* (後宮甄嬛傳), a popular novel by online writer, Liulianzi, and previously adapted into a very popular TV serial in China, into mobile games and, together with another third-party game developer, obtained exclusive license to adapt *One Hundred Thousand Bad Jokes* (十萬個冷笑話), popular online Chinese comics being serialized on a Chinese comics website www.u17.com, into a mobile game. We also plan to cooperate with third parties to adapt *The White Haired Witch* (白髮魔女傳), a famous Kungfu novel, into a mobile game. We plan to obtain licenses to adapt more popular literatures, movies, TV serials and animations into online games.

Increase our market share by publishing more high-quality licensed games

We aim to increase our market share by adding more high-quality licensed games to our game portfolio. We plan to identify more talented game developers from thousands of game developers emerged in China in recent years, obtain exclusive licenses to publish their best games and closely work with them to ensure the games’ success. By mid-2015, we plan to commercialize at least another six mobile games developed by domestic developers that we believe have great potential for commercial success, including *The Monkey King* (齊天大聖), *One Hundred Thousand Bad Jokes* (十萬個冷笑話), *I Am Playboy* (穿越之大官人), *Crazy Myth* (步步封神), *Sharpshooter* (鐵甲槍神) and *Rumble Jungle* (星球崛起). We plan to license more online games from third-party developers by the end of 2016. We believe that these licensed games, together with our self-developed games, will provide a more diversified game portfolio for our players and enable us to cater to different tastes and demands of our players, cultivate a growing loyal player base and increase our market share.

Enhance our own platform, 8864.com, and make it a high-quality content-rich game platform popular among players and game developers

We will increase our spending in the promotion of our own platform, 8864.com, including acquisition of user traffic through various marketing and advertising efforts. We will continue to build a large and active player community on 8864.com and adopt various measures to encourage interactions among our players in the community. We also plan to make our OKSDK software freely available to all game developers and provide them open access to the software on our website. By enabling game developers to use our OKSDK to connect their games to our own platform and third-party distribution

channels to test their games, we intend to increase the awareness of our platform and build up our reputation among an increasing number of game developers and attract more high-quality games to our platform.

Invest in game technology enhancement to raise the bar for competition

We will continuously improve our game development technology to raise the bar for competition for our existing and future competitors and maintain our competitive edge. More specifically, we will continue to engage in the development, upgrade and optimization of our game engines, create more easy-to-use software tools tailored to the special needs of our game development process, and design more innovative common modules to make our game development process simpler and more efficient. We target to reduce the repetitive work among different development teams so that they can focus more on overall conception and design of our games. We will also strive to develop more novel game functions and special effects so that our game developers have more options at their disposal to achieve their intended game effects.

Bring high-quality games developed by us and numerous other Chinese developers to players all over the world

We believe the market position we have established in China will help us expand our business into overseas markets. According to the Analysys Report, thousands of mobile game developers emerged in China in recent years and China has become the largest mobile game development country in the world. This provides a huge pool from which we can select the highest quality games at competitive costs. On the other hand, the open systems adopted by major players on the mobile Internet, such as Apple Inc.'s App Store and Google Play, provide a convenient platform for our games to reach millions of players in the world and will enable us to expand our business to overseas markets more easily than in previous eras. We plan to match the demand for high-quality games from players all over the world with supply of high-quality games from China. More specifically, we plan to source an increasing number of high-quality games from Chinese game developers and publish such games together with our self-developed games to an increasing number of overseas markets. We have established subsidiaries in South Korea and Hong Kong to engage or potentially engage in game publishing business. Subject to our market research results, we are considering establishing presence in more countries and regions, such as Southeast Asia and United States, and expand our publishing business into such markets.

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OUR GAMES

As of the Latest Practicable Date, we had commercialized five mobile games, four webgames, seven client-based games and one game with both client-based version and web version. The following table sets forth certain information relating to our commercialized games:

	Title (English Translation)	Form	Effect ⁽¹⁾	Genre	Type	Commercialization Date ⁽²⁾	Status
1.	英雄之劍 (Sword of Heroes)	Mobile Game	2D	ACT	Self-developed	October 2014	Commercialized
2.	萌將冲冲冲 (Go! Generals!)	Mobile Game	3D	RPG	Licensed ⁽⁴⁾	September 2014	Commercialized
3.	神之刃 (Blade of God)	Mobile Game	3D	CCG	Licensed ⁽⁵⁾	March 2014	Commercialized
4.	蒼穹之劍 (Sword of Heaven)	Mobile Game	3D	RPG	Self-developed	December 2013	Commercialized
5.	王者之劍 (Excalibur)	Mobile Game	2D	ACT	Self-developed	March 2013	Commercialized
6.	三國演義 (Three Kingdoms)	Webgame	2D	TBG	Self-developed	October 2012	Commercialized
7.	黎明之光 (Daybreak)	Client-based/ Webgame	3D	RPG	Licensed ⁽⁶⁾	August 2012	Commercialized
8.	大笑西遊 (Flying West)	Webgame	2D	TBG	Self-developed	April 2012	Commercialized
9.	火影世界 (Bubble Ninja)	Webgame	2D	RPG	Self-developed	September 2011	Phased out ⁽³⁾
10.	傭兵天下 (Warrior King)	Client-based	3D	RPG	Self-developed	May 2011	Phased out ⁽³⁾
11.	飛天西遊 (Westward Journey)	Webgame	2D	TBG	Self-developed	March 2011	Phased out ⁽³⁾
12.	魔神無雙 (Unparalleled Devil)	Client-based	3D	RPG	Licensed ⁽⁷⁾	January 2011	Phased out ⁽³⁾
13.	東邪西毒 (Ashes of Time)	Client-based	3D	RPG	Self-developed	July 2010	Phased out ⁽³⁾
14.	西遊記 (Journey to the West)	Client-based	2D	RPG	Self-developed	January 2010	Commercialized
15.	問鼎 (Hero)	Client-based	2D	TBG	Licensed ⁽⁸⁾	June 2009	Phased out ⁽³⁾
16.	神獸 (Creatures)	Client-based	2D	TBG	Licensed ⁽⁹⁾	April 2009	Commercialized
17.	倚天劍與屠龍刀 (Heaven Sword & Dragon Sabre)	Client-based	2D	TBG	Licensed ⁽¹⁰⁾	November 2007	Commercialized

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Notes:

- (1) In 2D games, computers generate each frame of digital image from two-dimensional geometric data. In 3D games, computers generate each frame of digital image from three-dimensional geometric data, and as a result, while each frame is a two-dimensional, still digital image, displaying all the frames in a sequence creates a three-dimensional, moving visual effect, with a 2D background.
- (2) We consider a client-based game to be “commercialized” when it is being distributed through at least one distribution channel, a webgame to be “commercialized” when it is being distributed through six or more distribution channels, and a mobile game to be “commercialized” when it is being distributed through Apple Inc.’s App Store.
- (3) We consider a game to be “phased out” when we have ceased providing any update to the game for more than six months or when we have ceased operation of the game by deleting it from our servers and made public announcement.
- (4) Our license agreement for *Go! Generals!* will expire on July 2, 2016 and we will decide whether to seek renewal of the agreement based on the performance of the game close to the agreement expiration date.
- (5) Our license agreement for *Blade of God* will expire on December 12, 2018 and we will decide whether to seek renewal of the agreement based on the performance of the game close to the agreement expiration date.
- (6) Our license agreement for *Daybreak* will expire on August 24, 2017 and we will decide whether to seek renewal of the agreement based on the performance of the game close to the agreement expiration date.
- (7) Our license agreement for *Unparalleled Devil* has indefinite duration.
- (8) Our license agreement for *Hero* has expired and we do not intend to renew it.
- (9) Our license agreement for *Creatures* will expire on April 21, 2016 and we will decide whether to seek renewal of the agreement based on the performance of the game close to the agreement expiration date.
- (10) Our license agreement for *Heaven Sword & Dragon Sabre* has indefinite duration.

We describe below some of our representative games:

- *Excalibur* (王者之劍)



pulling a sword from a stone and obtaining the throne.

The Peak Monthly Gross Billings of *Excalibur* reached approximately RMB33.2 million and approximately 14.7 million registered players had played this game as of October 31, 2014. According to Analysys Report, *Excalibur* ranked second among all ACT games in China in terms of aggregate gross billings in 2013. *Excalibur* has been named as an “Outstanding Mobile Game” (“優秀手機遊戲”) and “Top-Ten Most Popular Original Mobile Game” (“十大最受歡迎的原創移動遊戲”) by GIAC in 2013 and awarded the “Golden Feather Award as Players’ Most Favorite Mobile Game” (“金翎獎玩家最喜愛的手機遊戲”) in 2013. *Excalibur* has also been named as “Top-Ten Mobile Games” (“十大風雲手機遊戲”) by Baidu Game Billboard and was awarded “Shining Star-Best Quality Mobile Game” (“星耀最品質手遊”) by Shining Star 360 Festival in 2013.

As of the Latest Practicable Date, *Excalibur* was published in more than 20 countries and regions, including China, Taiwan, Hong Kong, Macau, Singapore, Malaysia, Thailand, and Vietnam. As of October 31, 2014, we offered virtual items to players of this game with prices ranging from RMB0.1 to RMB153.6.

- *Sword of Heaven* (蒼穹之劍)



We commercialized *Sword of Heaven*, a self-developed RPG mobile game, in December 2013. *Sword of Heaven* is set in ancient China and based on the Chinese traditional legends of fairies. Players will assume the role as a warrior, who is the chosen one to save the world from the devil by obtaining the magic mirror.

The Peak Monthly Gross Billings of *Sword of Heaven* reached approximately RMB31.3 million and approximately 13.5 million registered players had played this game as of October 31, 2014. *Sword of Heaven* has been named as the “Top-Ten Most Anticipated Original Mobile Game” (“十大最受期待原創手機遊戲”) by GIAC in 2014 and was awarded as “the Most Popular Mobile Game” (“最受歡迎手機遊戲”) at the 2nd Global Mobile Game Congress in 2014.

As of the Latest Practicable Date, *Sword of Heaven* was published in seven countries and regions, including China, Hong Kong, Taiwan, Macau, Singapore, Malaysia and South Korea. We started publishing the Korean version of this game through our own subsidiary in South Korea in April 2014. As of October 31, 2014, we offered virtual items to players of this game with prices ranging from RMB0.1 to RMB5,106.

- *Blade of God* (神之刃)



We commercialized *Blade of God*, a licensed 3D CCG mobile game, in March 2014. The storyline of *Blade of God* is set on a fictional island named Ola and players will assume the role as a Silver Wing Knight, a magician or a summoner to start a journey on Ola.

The Peak Monthly Gross Billings of *Blade of God* reached approximately RMB41.0 million and approximately 15.8 million

registered players had played this game as of October 31, 2014. *Blade of God* was awarded the “Best Collectible Card Mobile Game” (“最佳卡牌手機遊戲”) at the 2nd Global Mobile Game Congress in 2014.

As of the Latest Practicable Date, *Blade of God* was published in China, Taiwan and Hong Kong and we plan to publish or have it published in South Korea, Russia and Japan by the end of 2014. As of October 31, 2014, we offered virtual items to players of this game with prices ranging from RMB0.1 to RMB1,388.8.

- *Sword of Heroes* (英雄之劍)



We commercialized *Sword of Heroes*, a self-developed 2D ACT mobile game, in October 2014. The game is set in the era when King Arthur ruled. Players will assume the roles as a group of heroes who came to fight dark evil which invaded Northern Europe. *Sword of Heroes* is featured by its graphic design which integrated Japanese cartoon and baroque design elements. It also provides

fascinating combat experience with various gameplays to our players. Approximately 4.4 million registered players had played this game as of October 31, 2014.

As of the Latest Practicable Date, *Sword of Heroes* was published in China only and we offered virtual items to players of this game with prices ranging from RMB1.0 to RMB614.4.

- *Three Kingdoms* (三國演義)



We commercialized *Three Kingdoms*, a self-developed 2D TBG webgame, in October 2012. *Three Kingdoms* is based on the famous Chinese ancient novel with the same title. Players can choose their favorite historical warriors and counsellors to fight the battles. Approximately 9.4 million registered players had played this game as of October 31, 2014. It has been awarded the “Golden Finger

Award as the Most Favorite Webgame” (“最受歡迎網頁遊戲金手指獎”) by GIAC and named as the “Top-Ten Most Popular Webpage Game in 2012” (“2012年十大最受歡迎網頁遊戲”) by GTAC in the 2012.

As of the Latest Practicable Date, *Three Kingdoms* was published in five countries and regions, including China, Singapore, Malaysia, Thailand and Taiwan. As of October 31, 2014, we offered virtual items to players of this game with prices ranging from RMB0.1 to RMB1,000.

- *Daybreak* (黎明之光)



Daybreak is one of our licensed 3D RPG games, which has both client-based game version and webgame version, and was published in China in August 2012. In the game, players are able to choose characters as a knight, a puppet master, a magician or a bounty hunter to explore the land and stop the plot that will undermine the safety of their

country. Approximately 6.7 million registered players had played this game as of October 31, 2014. *Daybreak* has been named as the “Top Ten Most Popular Online Game in 2012” (“2012年十大最受歡迎網絡遊戲”) by GIAC in 2012.

As of the Latest Practicable Date, we published *Daybreak* in eight countries and regions, including China, Vietnam, Taiwan, Macau, South Korea, Thailand, Singapore and Malaysia. As of October 31, 2014, we offered virtual items to players of this game with prices ranging from RMB0.1 to RMB728.6.

- *The Journey to the West (西遊記)*



We commercialized *The Journey to the West*, a self-developed 2D RPG client-based game, in January 2010. It is based on the famous Chinese ancient novel with the same title with artistic adaption. Players will need to undergo 81 trials with the Tang dynasty Buddhist monk and his three apprentices to obtain the sacred

text. Approximately 11.6 million registered players had played this game as of October 31, 2014. *The Journey to the West* was recognized as the “Best 2D Online Game in China” (“中國年度最佳2D網絡遊戲”) and “Best Domestic Original Online Game” in 2010 in 17173 Game Festival and was awarded with the “Golden Finger Award as the most anticipated online game” (“2009年度最受期待網絡遊戲金手指獎”) in the 2009 Annual Conference of Chinese e-Game Industry and named as the “Top Ten New Game” (“十大新銳遊戲”) in the ChinaJoy Festival in 2010.

As of the Latest Practicable Date, *The Journey to the West* was published in four countries and regions, including China, Taiwan, Indonesia and Vietnam. As of October 31, 2014, we offered virtual items to players of this game with prices ranging from RMB0.1 to RMB1,500.

- *Heaven Sword & Dragon Sabre (倚天劍與屠龍刀)*



We commercialized *Heaven Sword & Dragon Sabre*, a licensed 2D TBG client-based game, in November 2007. It is set in ancient China and involves various martial-arts stories. Players will assume the character as a young Kung-Fu hero, who will become the leader of the world of Kung-Fu by conquering various difficulties in the time of misfortune. Approximately

10.1 million registered players had played this game as of October 31, 2014. *Heaven Sword & Dragon Sabre* has been named as the “Most Anticipated Online Game” (“最受期待網絡遊戲”) and the “Top Ten Most Popular Domestic Online Game” (“十大最受歡迎的民族網絡遊戲”) in 2008 and 2009, respectively, by GIAC and was awarded with the “Golden Feather Award as Top Ten Players’ Most Favorite Online Game” (“金翎獎玩家最喜愛的十大網絡遊戲”) in the ChinaJoy Festival in 2008.

As of the Latest Practicable Date, *Heaven Sword & Dragon Sabre* was published only in China. As of October 31, 2014, we offered virtual items to players of this game with prices ranging from RMB0.01 to RMB150.

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The table below sets forth a breakdown of average DAUs and average MAUs of our representative games in the periods indicated, or in such periods from the open beta testing dates of the games to the end of the periods indicated if we initiated open beta testing of such games during the periods indicated.

	Year ended December 31,		Ten months ended October 31,
	2012	2013	2014
Average DAUs ('000):			
Excalibur	7.4	180.2	103.3
Sword of Heaven	N/A	118.4	160.6
Blade of God	N/A	8.5	308.9
Sword of Heroes	N/A	N/A	282.3
Three Kingdoms	53.9	55.7	19.5
Daybreak	33.3	63.3	16.4
The Journey to the West	45.4	27.6	18.6
Heaven Sword & Dragon Sabre	61.3	65.3	76.9
Average MAUs ('000):			
Excalibur	28.5	1,120.6	613.0
Sword of Heaven	N/A	1,075.1	1,235.4
Blade of God	N/A	46.8	2,486.7
Sword of Heroes	N/A	N/A	3,073.7
Three Kingdoms	685.9	530.7	94.3
Daybreak	341.6	462.5	110.5
The Journey to the West	107.5	55.3	35.8
Heaven Sword & Dragon Sabre	218.8	228.3	228.5

The table below sets forth a breakdown of the number of average monthly paying players and average monthly ARPPU of our representative games in the periods indicated, or in such periods from the open beta testing dates of the games to the end of the periods indicated if we initiated open beta testing of such games during the periods indicated.

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
Average monthly paying players:				
Excalibur	1,213	56,201	42,291	35,648
Sword of Heaven	N/A	51,916	N/A	77,267
Blade of God	N/A	N/A	N/A	126,834
Three Kingdoms	14,343	11,132	15,102	3,433
Daybreak	24,519	26,630	33,523	6,778
The Journey to the West	4,438	2,098	2,324	1,256
Heaven Sword & Dragon Sabre	3,980	2,199	2,437	1,658
Average monthly ARPPU (RMB):				
Excalibur	81.5	354.3	268.0	400.0
Sword of Heaven	N/A	47.7	N/A	325.5
Blade of God	N/A	N/A	N/A	101.2
Three Kingdoms	148.6	683.6	628.3	835.0
Daybreak	85.9	232.1	235.7	229.2
The Journey to the West	624.0	737.1	743.8	773.4
Heaven Sword & Dragon Sabre	301.8	562.2	513.9	846.5

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Game Pipeline

As our games have limited commercial life-spans and our top revenue-generating games differed from period to period over the Track Record Period, our future growth will depend on our ability to continuously launch new games that generate significant revenue. See “Risk Factors — Risks Relating to Our Business — A small number of games with limited commercial life-spans generated a substantial majority of our revenue in recent fiscal periods. If these games do not continue to succeed or we do not release highly successful new games, our revenues would decline.”

As of the Latest Practicable Date, we were in the process of developing and/or testing five new games and had obtained exclusive licenses to publish six new mobile games developed by third parties. We currently estimate that we may incur approximately RMB110.1 million after the Track Record Period for the development costs of, or license fees for, these new games before they are commercialized. In addition, we plan to develop and commercialize additional self-developed games and licensed games before the end of 2016. We will use a portion of the proceeds of the Global Offering to develop and publish such new games. For further details about our plans for developing and publishing new games and the use of proceeds, please see the section headed “Statement of Business Objectives and Use of Proceeds” in this prospectus. The following table sets forth certain information relating to the mobile games in our pipeline:

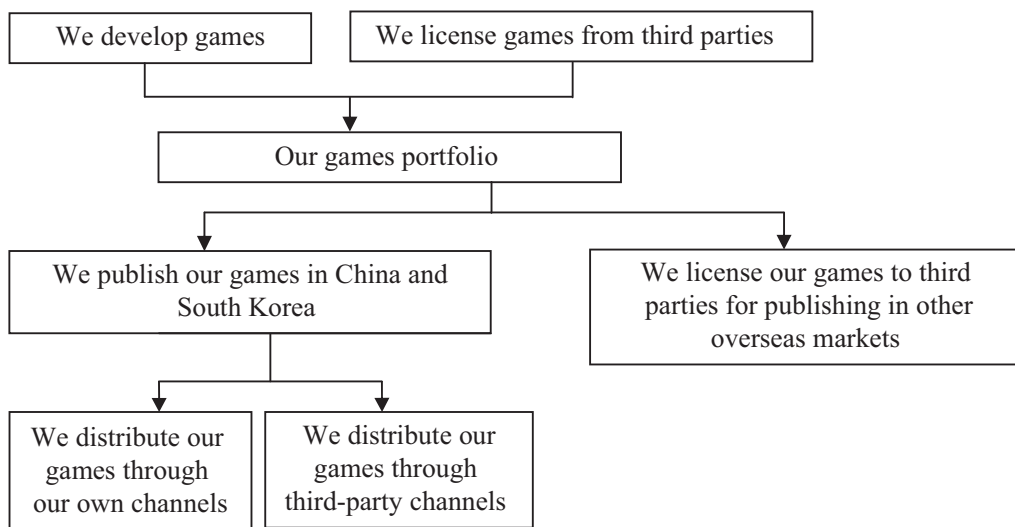
	Title (English Translation)	Effect	Genre	Type	Estimated Commercialization Date	Features/Theme
1.	步步封神 (Crazy Myth)	2D	CCG	Licensed	In 2014	Theme on Chinese ancient novel Creation of the Gods
2.	齊天大聖 (The Monkey King)	3D	CCG	Licensed	In early 2015	Theme on Chinese ancient novel The Journey to the West
3.	後宮 甄嬛傳 ⁽¹⁾ (The Legend of Zhen Huan)	3D	CCG	Self-developed	In early 2015	Adapted from a popular novel in China
4.	穿越之大官人 ⁽³⁾ (I Am Playboy)	3D	CCG	Licensed	In early 2015	Theme on time travel
5.	英雄之劍TV版 (Console version of Sword of Heroes)	2D	ACT	Self-developed	In 2015	Console version of <i>Sword of Heroes</i>
6.	十萬個冷笑話 ⁽²⁾ (One Hundred Thousand Bad Jokes)	3D	CCG	Licensed	In 2015	Adapted from popular Chinese online comics
7.	搗塔全明星 ⁽³⁾ (DT All Star)	2D	RPG	Self-developed	In 2015	Theme on western magic
8.	彈珠全明星 ⁽³⁾ (Warrior Crash)	3D	CCG	Self-developed	In 2015	Theme on Chinese ancient novel Three Kingdoms
9.	鐵甲槍神 ⁽³⁾ (Sharpshooter)	3D	FPS	Licensed	In 2015	Theme on international counter terrorist actions
10.	白髮魔女傳 (The White Haired Witch)	3D	RPG	Self-developed	In 2015	Adapted from a popular Kungfu novel
11.	星球崛起 (Rumble Jungle)	2D	CCG	Licensed	In 2015	Theme on interstellar adventure

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- (1) *The Legend of Zhen Huan* (後宮甄嬛傳) will be adapted from the popular novel of the same title, written by online writer, Liulianzi, and previously adapted into a very popular TV serial in China. The TV serial and novel focus on the schemes in the Inner Palace during Emperor Yong Zheng's reign. The heroine, Zhen Huan, initially an innocent young lady, entered the emperor's harem of beautiful concubines. Zhen Huan discovered that the palace was actually a cruel and harsh place, and decided to abandon her former naive self. She learned how to survive on her own, and eventually became the queen mother.
- (2) *One Hundred Thousand Bad Jokes* (十萬個冷笑話) will be adapted from popular Chinese comics of the same title, drawn by Ms. Han Wu, which is being serialized on the Chinese online comic website www.u17.com. The comic is constituted by several funny stories with no specific relationship between each chapter, but with subtle clues connecting each story.
- (3) Tentative name, subject to change.

OUR BUSINESS FLOW

We develop and publish online games in China. We also publish games in South Korea. In addition to our self-developed games, we also publish high-quality online games developed by third parties and licensed to us under exclusive licenses. We also license our games to international game publishers for publishing in various overseas markets. The following diagram illustrates the flow of our overall business:



GAME DEVELOPMENT

Our earliest games were client-based, which require players to download and install a client software on their PCs to avoid the need of transferring large amounts of data at each time of play. As broadband Internet connection became commonly available in China, we developed webgames that can be played without active installation of client software and can be played on any computer with an Internet connection and a flash-enabled browser.

We are an early mover in developing mobile games in China. We started to develop midcore to hardcore mobile games in 2012 and shifted the focus of our game development to mobile games in late 2012. The advent of mobile devices such as smartphones and tablets, coupled with the increasing use of 3G and 4G mobile and Wi-Fi networks, opened a new era for online games. We believe there is huge market potential for mobile games as each smartphone and tablet can potentially be a game playing

device anytime and anywhere, and such popularity and accessibility is unprecedented in the history of online games. The large, high-resolution touchscreens of mobile devices allow the presentation of exquisite graphics and the creation of new control techniques, which brings new game playing experience to online game players, especially players of midcore to hardcore games.

Linekong Game Technology Center

In order to increase the efficiency of our game development process and improve our key technologies, we have established our Linekong Game Technology Center to facilitate the utilization of the latest technologies and development tools by our teams.

We use a cross-platform game engine with a built-in integrated development environment (“IDE”) as our main game development software. We selected such engine because it supports deployment to various platforms such as Windows, Mac, Linux, Android, iOS and Adobe Flash, which ensures that our games can be played on most devices commonly used by players. It also allows us to have control over delivery to mobile devices, web browsers and desktops and to specify the texture compression and resolution settings for each platform that the game supports. Another reason we selected such game engine is that it is one of the most commonly used game development software which enables us to easily find software engineers with knowledge and experience with this software in the market and reduce our training costs and time.

We obtained a license to use the source code of such game engine to help our Linekong Game Technology Center develop, upgrade and optimize our own game engines, including map editors, special effects editors, animation editors and tasks editors, which are tailored to our own game development needs. The center maintains and controls the overall software environment for our game development and designs and develops peripheral software tools that can be conveniently used by all of our game development personnel and write common modules for specific functions or effects that can be readily adopted in our games. These engines, tools and common modules are our key technologies and have significantly increased the efficiency of our game development process and helped us continuously improve the quality of our games.

We only allow senior engineers in our Linekong Game Technology Center to have access to the source codes of our game engines, software tools and common modules and our other key technologies. Such centralized management prevents any particular game development personnel or team from obtaining access to all source codes of a game and thereby decreases the risk of losing our key technologies as the result of employee turnover.

Product Committee and Development Teams

We have established a dedicated Product Committee to oversee our game development process focusing on project initiation, developing cost control and development process supervision. Our Product Committee is comprised of our chief executive officer, president, vice presidents and co-chief technology officers. Our Product Committee is directly involved in each key stage of our game development process and decide whether a game development project can proceed to the next development stage. See “— Game Development Process.”

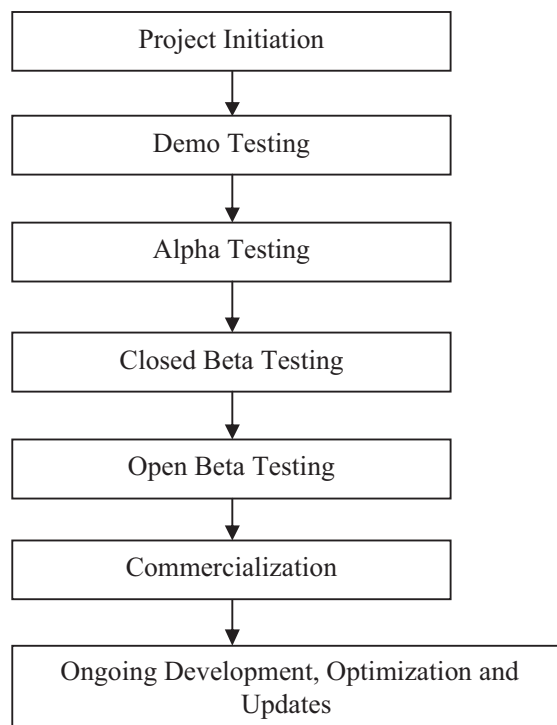
Our game development activities are team based. We set up separate teams for different game development projects. Each development team is responsible for a game’s development and operation, as well as the continuous enhancement of the games it has developed, including on-going monitoring, problem fixing and development and release of upgrades. We outsource certain aspects of game development to third parties, such as art/graphic design, audio production and translation, when there are

temporary shortage of internal resources for such work. Such outsource decisions are made on a case-by-case basis based solely on our needs, third parties' qualification, past collaborative experience, competitive pricing and timeliness of delivery. We typically enter into agreements with terms ranging from several days to a few months. Under these outsourcing service agreements, the outsourcing service providers submit their work products to us in accordance with our timetable and quality requirements. We review the work products and request for further revisions to ensure all work products are satisfactory for our quality requirements. We generally pay the outsourcing service providers one-off fees after the execution of agreements or make periodic payments to them. The outsourcing service agreements are generally entered into on a project basis and not subject to renewal. The outsourcing service agreements may be terminated in the event of a material breach, such as the outsourcing service provider's failure to turn over the work products according to the timetable or quality standards, and in some cases we are entitled to terminate such agreements at any time subject to payment for the work products that we have accepted. Such outsourced work is a small portion of the total work required for our self-developed games, and we own all relevant intellectual property rights produced by such work. All of our outsourcing service providers are independent third parties.

As of October 31, 2014, 57.1% of our employees were research and development personnel, most of whom were based in our headquarters in Beijing. All key members of our game development teams have experience in the development of two or more online games. We plan to continue to expand our game development team by recruiting new graduates from universities as well as experienced programmers and engineers.

Game Development Process

Our game development process can be divided into seven stages as set forth in the chart below. The first six stages usually take six to twelve months for mobile games and webgames, and two to three years for client-based games, while the final stage is on-going until a game is phased out. We also closely monitor each game's development process to make sure that the costs of a game development project does not exceed its approved budget.



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- Project Initiation

Our game development process starts with a preliminary proposal that describes the gameplay, theme and artistic style of the proposed new game as well as the proposed revenue model. Our Product Committee reviews each preliminary proposal and will veto a proposal if it concludes that any element of the proposal is not promising or unlikely to be popular. In choosing themes for the proposed new games, we usually analyse the latest trends in entertainment and popular culture from different sources such as the latest ranking of online literature and TV shows and ranking of popular keywords on mainstream search engines. Our Product Committee will also consider the estimated time and manpower required to develop the game.

- Demo Testing

After our Product Committee approves the preliminary proposal, our project team works on the prototype design of the game and will develop a demo version of the game to test whether the design can achieve the effect contemplated in the original proposal and will continuously revise the design if necessary. If our Product Committee is satisfied with the finalized demo version, it will grant its formal approval for the new game development.

- Alpha Testing

After our Product Committee's formal approval, our project team will develop an Alpha version of the game for internal testing. The Alpha version will normally include approximately one-third of the episodes of the proposed new game and the project team will invite our employees from other departments as well as members of our Product Committee to try playing the game and provide feedbacks. The project team will further revise the game according to feedbacks from our colleagues and our Product Committee. If our Product Committee, after playing the Alpha version, concludes that the game does not have a potential for success, it may decide to terminate the game development project.

- Closed Beta Testing

In this stage, our project team will prepare a Beta version of the game. The Beta version will normally include approximately two-thirds of the episodes of the game and we will invite outside players to test playing the game. We will capture and monitor these outside players' behavior and activities, such as time spent in different areas of the in-game environment and virtual item purchase and consumption patterns, and we analyse the correlation among different behavioural patterns to generate additional insights to optimize the game. We do not generate any revenue from a game during its closed beta testing period. We normally issue certain virtual credits for free to invited players and such virtual credits may only be used to exchange for virtual items in the game during the testing period, and we will delete all players' account files upon completion of closed beta testing.

- Open Beta Testing

Depending on the results of closed beta testing, we will either commercialize the new game without further testing or perform an open beta testing of the game. During open beta testing, we will distribute the game through small distribution channels and start trial operation of the game. The purpose of the open beta testing is to test the performance of the new game under open market conditions. In this stage, we start to sell virtual credits that may be exchanged into virtual items in the game and we will not delete players' account files after the testing ends.

At this point the new game is not considered "commercialized" even though it may have commenced generating revenue. If there are major issues that cannot be resolved or if certain operating

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metrics are significantly below expectation, the game project may remain in its development phase for further development or in some situations, be terminated.

- **Commercialization**

After a new game has satisfactorily completed all testing and is ready for commercialization, we will launch a mass marketing campaign for the game and enter into agreements with third party distribution channels for distribution of the game on their channels.

- **Ongoing Development, Optimization and Updates**

After commercialization of our games, the same project team will typically be responsible for ongoing development, optimization and updates for the game in our daily operation until the game phases out. For further information about ongoing development, optimization and updates, please refer to “— Game Operation — Ongoing Development, Optimization and Updates” in this Prospectus.

Pricing

All of our games have adopted the item-based revenue model. We generate revenues from selling virtual items that enhance game players’ in-game experience, such as enhancing the powers, abilities, attractiveness and social interaction of their characters, or enabling them to advance in the games more conveniently. Our players purchase virtual credits from us and then exchange virtual credits for various virtual items we offer in each game. The virtual credits purchased by our players are earmarked for a particular game, can only be used to exchange for virtual items in that game and cannot be used for any other purpose. Our virtual credits are not redeemable into cash or exchangeable into other items of value. Our virtual credits and virtual items are not refundable once purchased by our players except when we decide to cease operation of a game, in which case, we refund unused virtual credits purchased by our players for such game in accordance with relevant PRC laws and regulations, or at our players’ option, convert such unused virtual credits into virtual credits for our other games still in operation. In order to retain our paying players, we have traditionally offered attractive terms on which paying players of a game that has ceased operation may convert their unused virtual credits into virtual credits of our other games, and as a result, all of such unused virtual credits were converted into virtual credits for our other games in the history and we were not required to, and did not, refund any of our virtual credits during the Track Record Period. As such, we have not made any provision for refund in relation to games that had ceased or will cease operation either.

For all of our self-developed games, we, as the game developer, have the sole discretion in determining the price of in-game virtual items. We determine the price of each virtual item, generally based on an analysis of certain benchmarks, such as the extent of advantage that the virtual item brings to the player’s character, the level of demand for the virtual items and the price of similar virtual items offered in similar games of other developers. The prices of virtual items in our games vary widely. We adopt consistent pricing strategies for virtual items in our self-developed games published through all distribution channels. We adjust the pricing of certain virtual items based on consumption patterns and other factors and occasionally provide discounts for virtual items as promotions.

GAME LICENSING

In addition to self-developed games, we also license high-quality online games from third-party developers and market, advertise and distribute these licensed games, through our own distribution channel and third-party distribution channels. As of the Latest Practicable Date, we commercialized seven licensed games.

Selection of Licensed Games

We are highly selective in the games that we license. We only license third-party developed games that are of comparable quality to our self-developed games and with great potential for commercial success. The expertise we have developed through our game development business enables us to identify other top class online game developers and effectively evaluate the games they develop.

We maintain contacts with many game developers and participate in industry conferences and exhibitions to keep abreast of latest trends and new games coming into market. Our Product Committee meets regularly to discuss our strategy for licensed games and identify potential candidates. Each candidate game will then go through a comprehensive testing and review process. We will first meet with the candidate game's development team to evaluate their knowledge about game development, the quality of the team's programmer, designer and technical supporting staff, the game's structure and design, and the prospects of successful cooperation between the team and us. We will then test the game's basic framework to ensure it is up to our technology standard. After that, we will conduct extensive testings to assess the stability of the game and identify any potential issues and will prepare a test report which will be submitted to our Product Committee for review. Our Product Committee will make the final decision on whether we will license the game from such third-party developers.

Value-Added Services Provided to Third-Party Game Developers

In order to ensure the quality of our licensed games and increase their popularity and success rate, especially in the PRC market, we provide various assistance and advice to the developers of our licensed games as our value-added services. We work closely with the developers of our licensed games to improve the flow and rhythms of the games as well as monetization strategies. Before our licensed games are commercialized in China, we engage in extensive discussions with their developers to advise on how they can improve the games and make sure that the games will meet our quality standard and expectation. After our licensed games are commercialized in China, we actively monitor the operation of the games and provide continuous advice and support to their developers from both commercial and technical perspectives on how to enhance or update the games.

Commercial Arrangements With Third-Party Game Developers

Once we decide to license a third-party developed game, we will enter into a licensing contract with the game's developer under which we are granted the exclusive right to publish, market, advertise, distribute and service the game in China only, in China and other countries and regions, or globally. As of the Latest Practicable Date, we had exclusive licenses to publish four games in China only, three games in China and certain other countries and regions, and four games globally. Our licenses generally cover all distribution channels in our licensed countries and regions except our license for *The Monkey King* which only covers certain distribution channels in China. Our licensing contracts with third-party developers usually have a term of three to five years and can be renewed upon mutual agreement of both parties. Some of the other important legal terms under our licensing contracts with third-party game developers include:

- we are responsible for the sales and marketing of the licensed games as well as customer service;
- the game developer provides us content updates as well as necessary on-going technical support for the operations of the licensed games as required by us;
- we are granted a license to publish the games, including the right to authorize others to publish the games in our authorized territories, while the game developer continues to hold the

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relevant intellectual property rights. We are entitled to terminate the agreements if the game developer fails to obtain and maintain the intellectual property rights and qualifications pertaining to the licensed games, and the game developer is responsible for all monetary damages in connection with such failures, including direct damages, expected indirect damages and all reasonable expenses related to the compensation of any damages;

- we are required to obtain and maintain the relevant publishing licenses. The game developer is entitled to terminate the agreement if we fail to do so and we will be responsible for all monetary damages in connection with such failures, including direct damages, expected indirect damages and all reasonable expenses related to the compensation of any damages; and
- we generally have the right to decide the price of the virtual items in all of the games based on the performance of the games and the game developer is obliged to follow our decisions, except two of our earliest client-based games, *Hero* and *Creatures*, commercialized in 2009.

We are responsible for collecting payments from paying players, third party distribution channels and our overseas licensees, as applicable, and paying content fees to game developers based on a percentage, negotiated on a game-by-game basis, of the payments we received. The percentage varies from game to game and developer to developer, taking into consideration a number of factors, including but not limited to the scope of the exclusive license, the allocation of the cost of maintaining servers that host the games and the amount of payments we received. Content fee to game developers accounted for 20.2%, 20.0%, 19.4% and 19.0% of our revenue generated from our licensed games in 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

We are usually required to pay content fee to third-party game developers on a monthly basis based on total payments received by us from the game in the previous month. In addition to content fee, we are also required to pay upfront license fee or pre-payment of content fee to third-party game developers upon signing of the licensing contract. Under the circumstance that we are obliged to pay the pre-payment, it will be applied to offset our future content fee payment obligations. In the event the total amount that a game developer is entitled under the licensing contract is less than the pre-payment, we are entitled to claim refund of the remaining amount upon termination of the licensing contract.

GAME OPERATION

While the quality of our games is the key to our success, well-organized, efficient and effective operation of our games after their commercialization is also important to the success of our business. We consider high-efficient data collection and analysis as the key of successful game operation. All operation decisions we make are based on the comprehensive analysis of the data we collected from daily operation. We also draw samples to test our marketing strategy and measures. Through comprehensive data analysis, we are able to enhance the users' viscosity and increase players' paying impulse, to further increase player retention rate and paying user rate. By closely examining all these data and ratios, we are able to provide on-going optimization and updates for our games to cater to our players' various demands.

Electronic Unified Operation System

The backbone of our game operation is our proprietary electronic unified operation system ("EUOS") which we have developed through more than seven years of continuous efforts. Our EUOS system includes,

- (i) a unified player registration system that enables our players to register a single account, named as Linekong Passport, to play all of our games;

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- (ii) an electronic billing system that records all purchases of our virtual credits, conversions of virtual credits into virtual items and consumptions of virtual items by our players on all of our games;
- (iii) a game master, or GM, system that allows us to issue in-game announcements, enforce our games rules by banishing spammers, cheaters and hackers, and solve our players' problems by providing general customer service;
- (iv) a client relationship management, or CRM, system that allows us to track, record, store in databases, and then data mine various information we have collected about our players through various channels including our customer services in such a way as to improve our relationship with our players and encourage them to play our games more;
- (v) an advertisement analysis system that allows us to monitor the effectiveness of various advertising methods we use to promote our games; and
- (vi) a game cards system that allows us to generate, sell, verify, activate, and monitor the use of, our pre-paid game cards.

All these sub-systems are seamlessly integrated into our EUOS which continuously collects a massive amount of almost real-time information about all aspects of our games, our players, our different business activities and our overall operations.

Utilizing the latest "Big Data" technologies, we have established a business intelligence, or BI, platform which allows us to select, process and analyze large amounts of information from our massive database and present the information instantly in the forms of automatically generated charts, diagrams, tables and other formats at the fingertips of our senior management, our departmental head, our development teams, our marketing personnel and our game operating team to give them all kinds of useful information they need in order to perform their functions effectively and efficiently.

The BI system also enables us to advise third-party developers on methods to improve their games licensed to us from both commercial and technical perspectives, which is an important aspect of our value-added services to game developers.

Ongoing Development, Optimization and Updates

For our self-developed games, the project team that developed a game is typically responsible for on-going development, optimization and updates to that game. For our licensed games, we rely on the licensors for on-going enhancements to the game. We continuously monitor and analyse player behavior and virtual item purchase and consumption patterns in our games. Our proprietary EUOS consistently collects and analyses data produced in our games to provide strong backstage support. Leveraging the massive amount of data the system provides to us, we continue to optimize our games on a real-time basis and roll out new updates periodically.

We continuously update our games, fix software bugs and other technical issues as soon as practicable after they are identified, and provide more significant expansion packages on a periodical basis to add new game characters or profession, new game levels and new game maps where players can explore in order to keep players coming back to our games. We strive to reduce the size of the expansion packages in order to reduce our players' data download amount and downloading time. We believe that these updates and enhancements, which reflect the feedback we collected from our daily operation, help us to maintain game players' interest in our games and extend the games' life-spans.

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Customer Service

Customer service is an important part of our game operation. Players may submit inquires, feedback or complaints by sending messages via our game master system under our EUOS at any time. They may also submit their complaints through the in-game chat system or call our service hotline seven days a week. In addition, we also have established an open forum for each of our games on 8864.com and on our third-party distribution channels' websites to collect feedback or answer question from our players. We also have set up QQ groups for each of our games, and separate VIP QQ groups to provide preferential services to our VIP players. Furthermore, our players are also able to contact our customer service representatives through our public accounts on WeChat. For further information about our public accounts at WeChat, please refer to the section headed “— Marketing.”

Major categories of the complaints or inquiries we received during the Track Record Period were about regaining players' accounts and virtual items, bugs in our games, players' mis-operation while playing our games and game knowledge. Upon receipt of complaints or inquiries from our players, our customer service team will conduct testing and respond promptly. Typically, ordinary complaints or inquires will be resolved within one to three business days. As to bugs found in our games, our customer service representatives will report to the development department, who will be responsible for resolving the reported issues, and we will inform the complaining player about the updates. As of the Latest Practicable Date, we had not received any material complaints from our players and had not made any compensation in real money.

We believe that outstanding customer service plays a significant role in retaining players and differentiating us from other game developers and publishers. In serving our players, our customer service team also collects valuable first-hand player feedback, which has helped us better understand player preference and demand and further enhance our games.

MARKETING

We implement various marketing measures to promote our games, including word-of-mouth referrals by “fans” of our games, cross-platform advertising campaigns, entertainment marketing, and utilization of social networking websites.

We keep close contact with enthusiastic players of our games whom we consider as our “fans.” We regularly invite such players to attend our game forums, conduct surveys to collect their feedback, and invite them to experience and test our new games in Beta testing. Before commercializing a new game, we invite our fans to participate in Beta testing of the game and keep close contacts with them to obtain their feedbacks. We also have forums for our fans to discuss the game among themselves. We continuously improve the game based on feedbacks from our fans and make the game more and more appealing to them and thereby create a solid core player base for the game. As a result of their increasing interest in the game, our fans often refer the game to more and more of their friends and invite them to play the game.

As the new game becomes ready for commercialization, we initiate a cross-platform advertising campaign on various game media to fully expose our new game to the market. For our mobile games, we primarily use third-party advertisement-union agents to disseminate information about our games. These third-party advertisement-union agents enjoy extensive advertising resource and are able to post our advertisement on various mobile applications. We typically provide our advertisement to these third-party advertisement agents and they are responsible for posting these advertisements on these mobile applications. We also cooperate with several mobile game portals to provide detailed information about our games in game review. For our client-based games and webgames, we primarily cooperate with third-party advertisement medias with game portals to introduce our games to players in game review.

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To further enhance the exposure of our games, we have recently sorted to TV commercials to advertise our new games and plan to advertise our games through the general entertainment industry. For example, we plan to invite suitable celebrities to promote our games and utilize hot issues in the entertainment industry to expose our games.

We also utilize various social networking websites to promote our games. We opened public accounts for each of our mobile games on WeChat, a very popular social networking and mobile chat application by Tencent, which allows us to communicate with our players who have subscribed to the account through texts, pictures, voice and video about our new games and provide updates about our existing games. We actively encourage our players to subscribe to our WeChat account and had in the aggregate more than 800,000 subscribers to the public accounts of our mobile games commercialized or in open Beta testing as of the Latest Practicable Date.

GAME DISTRIBUTION AND PAYMENT COLLECTION CHANNELS

Game Distribution Channels

We have distributed our games, including our self-developed games and licensed games, through about two hundred distribution channels, including our own channel and third-party channels.

Our Own Distribution Channel: 8864.com

Our own game portal, 8864.com, which is also accessible through our corporate website www.linekong.com, is an online platform that uses broadband connections, large server clusters, encryption and compression to stream game content to players' devices. Each of our registered users can log into their accounts on the website and perform various transactions such as browsing and accessing our games, recharging their game accounts with us, contacting our customer service or changing their personal information. We also provide an online forum for our players to exchange information and comments about our games. For each of our games, we create a dedicated webpage that provides detailed game information as well as links that allow players to enter the game or download client software or mobile application for the game.

8864.com has grown rapidly since its establishment in 2011. As of October 31, 2014, 8864.com had approximately 84.2 million registered users, compared to approximately 56.8 million and 70.6 million registered users as of December 31, 2012 and 2013, respectively. Revenue generated from www.8864.com accounted for approximately 31.1% of our revenue from sales of in-game virtual items in 2013.

Third-Party Distribution Channels

- Our Unified Distribution Interface

We have established an unified distribution platform and arrangements with about two hundred third-party distribution channels that allowed us to quickly roll out our games on these channels. These distribution channels have their own player registration systems and payment collection systems and therefore require a specified software development kit (“SDK”) for games to be distributed on their channels. We have developed OKSDK, an interfacing software that can be easily packaged with any of our games and made them installable on such distribution channel's platforms and connected to such channel's player registration systems and payment collection systems.

Once we decide to publish a game, we can easily distribute the game through our unified distribution platform, which will automatically add the interfacing software to the version to be sent to different channels, and thereby enables us to quickly roll out our games on all of these channels. We

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believe the large player base of our own game portal, complemented by the large user base of our third-party distribution channels, allows us to conduct effective and targeted cross-selling across each of our virtual platforms. In addition, these virtual platforms allow us to provide players with easy and multi-channel access to our games. From time to time, we also advertise our games on the platform or portal of these third-party distribution channels, which we believe would allow us to achieve further growth, create additional distribution opportunities, expand the reach of our games to a wider group of players and create additional sales and marketing channels to disseminate information about our games. We understand that distributing online games on third-party distribution platforms is a common practice in the PRC online game industry. We cooperated with 131, 174 and 132 third-party distribution channels in 2012, 2013 and the six months ended June 30, 2014. The number of third-party distribution channels we cooperated with increased significantly from 2012 to 2013 as we commercialized more new games and shifted our focus to mobile games that relied more on major mobile game distribution channels. The number of third-party distribution channels we cooperated with decreased significantly from 2013 to the six months ended June 30, 2014 primarily due to the phasing out of *Bubble Ninja*, a webgame that we used to distribute through many third-party distribution channels.

- For Mobile Games: Application Stores and Mobile Game Portals

We closely cooperate with major online application stores in order to reach various mobile device users. We have become a developer for Apple Inc.'s App Store to provide our mobile games for the iOS system since April 2013. As of the Latest Practicable Date, all of our commercialized mobile games were available in Apple Inc.'s App Store.

In addition, we primarily cooperate with three types of third-party distribution channels to distribute our games, including (i) distribution channels with large user base, such as Tencent Android App (騰訊應用寶), 360 Mobile Assistant (360 手機助手), Baidu Mobile Assistant (百度手機助手), 91 Mobile Assistant (91 手機助手) and UC (九游手機遊戲平台), to distribute our Android version mobile games, (ii) hardware device manufacturers, such as Xiaomi, Oppo, Huawei and Lenovo, to offer our games in their respective game centers in the mobile devices they manufacture, and (iii) telecommunication network operators, such as China Mobile, China Unicom and China Telecom, to offer our games in their respective game centers pre-installed on their customized mobile devices.

- For Client-based Games and Webgames: Online Game Portals

8864.com has been the major distribution channel for our client-based games and webgames. With respect to our webgames, we also cooperate with mainstream webgame portals, such as 360.com, YY.com, QQ.com and 37wan.com.

- Commercial Arrangements With Third-Party Distribution Channels

Third-party distribution channels, such as mobile application stores and mobile game portals, provide game platform services for us to offer and operate our games. Our contracts with third-party distribution channels typically have a term of one to three years and renewal of such agreements is subject to re-negotiation between such third-party distribution channels and us. Some of the other legal terms under our contracts with third-party distribution channels typically include:

- we host all game servers and maintain all of our games operated on third-party distribution channels, control game and services specification, establish prices of in-game virtual items, provide ongoing game optimization and updates, solve technical problems relating to game operations and provide customer services to players;

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- the third-party distribution channels assist us with our games' marketing and promotion activities as we request;
- we are responsible for the losses incurred by the third-party distribution channels relating to the content of our games or customer services we provided;
- the third-party distribution channels provide payment collection services for our players to purchase our virtual credits;
- the third-party distribution channels charge us fees for their services (including their payment collection services) either at flat rates or at rates that vary based on the amount of proceeds collected, which are stipulated under these channels' standard terms and conditions generally applicable to all the games distributed on their platforms and not negotiable; and
- the third-party distribution channels are typically required to pay us on a monthly basis upon mutual confirmation of the total purchases of virtual credits for our games through such channels and after deducting their service fees.

The service fees charged by our third-party distribution channels ranged from 40% to 70% in 2012 and 30% to 70% in 2013 and the six months ended June 30, 2014 of the proceeds received by the third-party distribution channels. Service charges by third-party distribution channels amounted to 34.5%, 36.2% and 37.2% of our revenue from sale of in-game virtual items in 2012, 2013 and the six months ended June 30, 2014, respectively.

As we host all game servers and maintain all of our games operated on third-party distribution channels, control game and services specification, establish prices of in-game virtual items, provide ongoing game optimization and updates, solve technical problems relating to game operations and provide customer services to players, we take the primary responsibilities in rendering services to paying players of our games and are the primary obligor to paying players.

- Tracking and Verification of Transaction Information

To ensure the completeness, existence and accuracy of information relating to sales through third-party distribution channels, we have a complete set of measures in place to track and verify the transaction information provided by third-party distribution channels:

- Once we decide to distribute a game through a third-party distribution channel, we will establish connection between our own business intelligence system, EUOS, and the computer system of the third-party distribution channel, and engineers from both parties will perform tests to confirm the proper functioning of the connection before we start distributing the game on such distribution channel;
- Once a paying player of our game makes a purchase through a third-party distribution channel, the distribution channel's computer system will automatically transmit the transaction information to our EUOS; our EUOS will verify the genuineness and accuracy of the transaction information, record the data and issue corresponding amount of virtual credits to the paying player; subsequent conversion of virtual credits to virtual items and consumption of virtual items are administered by our EUOS;
- We have a data analysis system that could monitor payment information received from third-party distribution channels on a real time basis and identify abnormalities; and

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- We perform manual verification of transaction information on a monthly basis. We request third-party distribution channels to provide us statement on payments they received from our paying players every month and manually compare such statement with information collected by our EUOS. If there is any significant discrepancy, we will work with the third-party distribution channel to find a solution.

Our Payment Collection Channels

We utilize three major types of payment collection channels to collect proceeds from our paying players' purchases of our virtual credits and virtual items. All of our payment collection channels are operated by independent third parties. The following table sets forth a breakdown of our revenue attributable to proceeds from sales of in-game virtual items collected through each type of payment collection channels in absolute amount and as percentage of our total revenue generated from sales of in-game virtual items for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Third-party distribution channels	129,894	53.2	329,011	68.8	142,922	64.9	271,667	80.9
Third-party payment vendors	81,758	33.5	107,316	22.5	55,904	25.4	54,968	16.4
Pre-paid game cards	32,592	13.3	41,420	8.7	21,536	9.7	9,318	2.7
Total revenue from sales of in-game virtual items	<u>244,244</u>	<u>100.0</u>	<u>477,747</u>	<u>100.0</u>	<u>220,362</u>	<u>100.0</u>	<u>335,953</u>	<u>100.0</u>

Payments Through Third-Party Distribution Channels

All of the third-party distribution channels we use have their own payment collection systems. A number of third-party distribution channels used by us not only have their own payment collection systems but also their own virtual credits ("Distributor Virtual Credits") system such as 91 Credit (91 幣) on 91.com and 360 Credits (360 幣) on 360.com. When accessing our games through these distribution channels, paying players may (i) purchase our virtual credits with real money directly through the distribution channels' payment collection systems or (ii) purchase the distribution channels' own Distributor Virtual Credits with real money and then exchange them for our virtual credits at a ratio agreed between such distribution channels and us. For details about the payments collection arrangement between the third-party distribution channels and us, please refer to "— Game Distribution Channels — Third-Party Distribution Channels — Commercial Arrangement With Third-Party Distribution Channels" above.

Payments Through Third-Party Payment Vendors

For players who access our games through our own distribution channel, we offer them the option to recharge their game accounts with us through third-party online payment vendors, such as online banking services of commercial banks, Alipay and Tenpay.

Our contracts with third-party online payment vendors typically have a term of one year and renewal of such agreements is subject to re-negotiation between such third-party online payment vendors

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and us. Some of the legal terms under our contracts with these third-party online payment vendors typically include:

- the third-party online payment vendors are responsible for handling our players' payments made through their online payment systems and providing related customer service and technical support to ensure the completion of the payment process;
- we are required to pay the third-party online payment vendors commissions for their payment collection services, which normally range from 0.3% to 2% of the total payments they collect, and the commission rates are determined through negotiation between us and each third-party online payment vendor and are specified in the contract;
- the third-party payment vendors are usually required to provide real-time payment collection service; and
- after our players have made the payments, the third-party online payment vendors will deposit the payments in our account in their system after deducting their commissions.

Once payments are made by our players through these online payment vendors, they are converted into our virtual credits, and consistent with our general policy, these virtual credits are not refundable except when we decide to cease operation of a game, in which case, we refund unused virtual credits purchased by our players for such game in accordance with relevant PRC laws and regulations.

Payments Through Pre-paid Game Cards

For players who access our games through our own distribution channel, we also offer them the option to purchase pre-paid game cards from third-party distributors which can be used in any of our games. We believe leveraging the sales network, marketing resources and capability of the third-party distributors has allowed us to enhance the flexibility and convenience of our payment process by offering players with a variety of payment channel options and to broaden our market coverage and channels to reach out to potential users through such distributors. We understand that pre-paid game card is a common form of payment channel for the PRC online game industry.

We select pre-paid game card distributors, which are independent from us, based on their marketing resources and capability. We sell pre-paid game cards to these distributors on a wholesale basis, typically at a 10% discount off the face value of the cards, and require them to make full payments in cash of the purchase prices before we deliver the cards to them in the form of either actual cards with card numbers and passwords or just combinations of card numbers and matching passwords without a physical card. We also offer "E-sale" option to our distributors, through which the distributors bulk purchase a certain amount of special credits from us and then recharge our players' in-game accounts with us by deducting the credits they have purchased from us.

As of October 31, 2014, we had 21 pre-paid game card distributors and none of them have any exclusive distribution rights. The number of our distributors during the Track Record Period did not have material change. Our contracts with pre-paid game card distributors typically have a term of one year and renewal of such agreements is subject to re-negotiation with each distributor. Some of the other important legal terms under our contracts with these pre-paid game card distributors include:

- the pre-paid game card distributors are allowed to sell our pre-paid game cards in designated geographic area;
- the pre-paid game card distributors are allowed to use sub-distributors;

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- the pre-paid game card distributors are prohibited from distributing our pre-paid game cards at any price below the price stipulated in our agreements with such distributors or engaging in any form of unauthorized trading of our pre-paid game cards;
- the pre-paid game card distributors are responsible for addressing problems that buyers of the pre-paid game cards may encounter with the cards;
- we are responsible for exchanging defective pre-paid game cards for replacement cards but we do not allow the pre-paid game card distributors to return any pre-paid game cards they have purchased; and
- the pre-paid game card distributors are required to comply with all relevant laws and regulations in their distribution of our pre-paid game cards.

The pre-paid game cards are used to purchase virtual credits. There is no expiration date for the virtual credits purchased by our players and we normally do not generate any forfeited income from virtual credits. We record the purchase prices that we receive from the distributors, net of discounts, in trade and other payables, which will be reclassified as deferred revenue upon players' activation of the pre-paid game cards, *i.e.*, when players use the pre-paid game cards to recharge their game accounts. We recognize revenue on these payments over the period of time the virtual items purchased with pre-paid game cards are consumed by the paying players.

For our accounting policy on recognition of revenue collected through various payment collection channels, see "Financial Information — Critical Accounting Policies — Revenue Recognition."

INTERNATIONAL MARKETS

We have traditionally licensed our games, including our self-developed games and licensed games for which we have global exclusive licenses, to third-party publishers in the international markets. Our overseas revenues were generated from licensing fees and technical support fee paid by overseas publishers of our games during the Track Record Period. In 2012 and 2013, our revenues from game publishers were RMB21.1 million and RMB34.2 million, respectively. Our revenue from game publishers increased by 70.5% from RMB14.9 million for the six months ended June 30, 2013 to RMB25.4 million for the same period in 2014. As of the Latest Practicable Date, our games were published in 41 countries and regions outside China. We select target international markets by evaluating various factors, including but not limited to the overall economy in the target market, market size and expectation, and whether the theme of our game is popular in a particular overseas market. Given that we have been primarily focused on domestic market and most of our games involves Chinese culture elements, revenue generated from overseas markets was not significant to us during the Track Record Period. However, we intend to devote more resources to expand overseas markets and expect that our overseas revenue will contribute a more meaningful portion of our total revenue.

Once we decide to license a game to an overseas publisher, we enter into a licensing contract with the publisher under which the publisher is granted the exclusive right to publish, market, advertise, distribute and service the game in certain authorized countries and regions. Our licensing contracts with overseas publishers typically have a term of two to three years and can be renewed upon mutual agreement of both parties. Some of the other legal terms under our licensing contracts with overseas publishers typically include:

- the overseas publishers are granted a license to publish the games in the authorized territories and may not sublicense the operation of such games to any other third party, while we continue to hold the relevant intellectual property rights, and the overseas publishers are

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entitled to terminate the contracts if we fail to obtain and maintain the intellectual property rights and qualifications pertaining to the games;

- the overseas publishers are responsible for the sales and marketing, game server hosting, customer service, selection of distribution and payment channels, as well as translating the games into local languages of the authorized countries or regions;
- we are responsible for providing content updates as well as necessary on-going technical support service for the operations of the games at the request of the overseas publishers;
- the overseas publishers determine the price of in-game virtual items subject to our written confirmations (which we normally confirm upon their requests as a matter of established business practice); and
- we are entitled to (i) a license fee for the exclusive authorization we granted to the publisher to publish the game, which is usually a fixed sum and paid to us before the publisher starts operating the game, and (ii) a royalty fee, which is categorized as technical service fee as it is paid for our content updates and on-going technical support services and is calculated based on a pre-determined percentage of the purchases made in our game by paying players on such overseas publisher's player registration system. Currently, for our overseas publishers, the pre-determined percentages of the in-game purchases that we are entitled to receive as royalty fee range from 20% to 35%.

All of our overseas publishers have their own player registration systems and payment collection systems. Overseas players secured by our overseas publishers will be directed to the overseas version of our games operated by these overseas publishers and become registered players on the overseas publisher's system. Some overseas players, however, may have found our games through other channels, e.g. on our own website. In such cases, they may register directly with us and become registered players on our system.

We expect to continue to expand our overseas business. We have established a subsidiary in South Korea and plan to invest RMB8.0 million in 2014, in the form of capital contribution and shareholder loan, in this subsidiary to engage in game publishing business as we believe the South Korean market has significant growth potential for our games. Linekong Korea has obtained the distributor license in May 2014 and we have started publishing the Korean version of *Sword of Heaven* through this subsidiary in South Korea. We have also established a subsidiary in Hong Kong and are considering establishing presence in more countries and regions, such as Southeast Asia and the United States, and expand our publishing business into such markets subject to our market research results. In addition, we intend to license our games to more overseas game publishers so that our games will be published in more countries and regions. Furthermore, we may consider co-developing games with outstanding international game developers. If suitable opportunities arise, we may also enter Japanese and European markets through joint ventures or acquisitions to acquire local game development and/or publishing capabilities. However, as of the Latest Practicable Date, we have not identified any potential acquisition targets.

OUR PLAYERS

Our games have attracted a large and rapidly growing player base. The registered players of our games increased from 98.9 million as of December 31, 2012 to over 170.5 million as of October 31, 2014. Our average DAUs increased from 443.1 thousand in 2012 to 539.7 thousand in 2013 and 793.6 thousand in the ten months ended October 31, 2014, and our average MAUs were 3.6 million in 2012, 3.4 million in 2013 and 5.0 million in the ten months ended October 31, 2014.

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Historically, our client-based games and webgames attracted the majority of our active players. Starting in 2014, active players of our mobile games well exceeded those of our client-based games and webgames. The table below sets forth a breakdown of average DAUs and average MAUs of our client-based games, webgames and mobile games in the periods indicated.

	2012		2013		Ten Months Ended October 31, 2014	
	'000	%	'000	%	'000	%
	Average DAUs:					
Client-based games	157.8	35.6	164.2	30.4	119.4	15.0
Webgames	284.8	64.3	162.7	30.1	37.6	4.7
Mobile games	0.5	0.1	212.8	39.5	636.7	80.3
Total	443.1	100	539.7	100	793.6	100
Average MAUs:						
Client-based games	585.6	16.1	635.2	18.5	381.6	7.6
Webgames	3,034.6	83.7	1,312.0	38.2	114.1	2.3
Mobile games	6.6	0.2	1,489.0	43.3	4,513.9	90.1
Total	3,626.8	100	3,436.2	100	5,009.6	100

In 2012, 2013 and the six months ended June 30, 2014, the average monthly paying players of our games were approximately 69.7 thousand, 128.2 thousand and 256.0 thousand, respectively. The table below sets forth a breakdown of the number of average monthly paying players and average monthly ARPPU of our client-based games, webgames and mobile games in the periods indicated.

	Year ended December 31,		Six Months Ended June 30,	
	2012	2013	2013	2014
Average monthly paying players				
Client-based games	21,436	25,184	28,997	10,968
Webgames	47,030	29,143	43,355	4,567
Mobile games	1,213	73,848	42,291	240,501
Total	69,679	128,175	114,643	256,036
Average monthly ARPPU (RMB)				
Client-based games	386.9	399.1	425.2	443.7
Webgames	312.2	423.5	363.0	719.8
Mobile games	6.9	281.9	269.6	217.5
All games	329.8	337.1	344.3	236.2

We evolved our focus to mobile games in 2013. As a result, the average monthly paying players of our mobile games increased significantly from 2012 to 2013 and in the six months ended June 30, 2014. The rapid growth of our mobile game business in 2013 and the six months ended June 30, 2014 had a significant impact on our webgames and client-based games. With the continuing rapid growth of our mobile games, we expect the paying players of our webgames and client-based games to further decrease in the future.

The average monthly ARPPU of our mobile games increased significantly from 2012 to 2013 but decreased in the six months ended June 30, 2014 primarily because we commercialized *Blade of God* towards the end of the first quarter of 2014, which reduced our average monthly ARPPU for the period as

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online games generally have lower ARPPU at the beginning of their commercial operation. The average monthly ARPPU of our client-based games and webgames increased during the Track Record Period as many players left client-based games and webgames in 2012 and 2013 and the remaining players of those games tend to be more loyal players and therefore spent more in the games and drove up the average monthly ARPPU.

OUR LARGEST CUSTOMERS AND SUPPLIERS

When we publish our games ourselves, after evaluating the roles and responsibilities of us, third-party game developers, distribution channels and payment channels in the delivery of game experience to our paying players, we concluded that we take the primary responsibilities in rendering services to paying players, and therefore, our paying players are our customers. In 2012, 2013 and the six months ended June 30, 2013 and 2014, no single paying player contributed more than 1% of our revenue in any period, and our five largest paying players combined contributed less than 5% of our revenue for each period.

When we license our games to third-party licensees, we concluded that we do not take the primary responsibilities in rendering services to paying players, and therefore, paying players are not our customers in such circumstances and the third-party licensees are our customers. In 2012, 2013 and the six months ended June 30, 2013 and 2014, 4.6%, 4.2%, 8.7% and 6.6% of our revenue, respectively, were attributable to our five largest third-party licensees combined, and 1.2%, 1.2%, 3.6% and 3.2% of our revenue, respectively, were attributable to our single largest third-party licensee.

In providing services to our customers, which include paying players or third-party licensees as described above, we utilize services and goods provided by various third parties, which mainly include third-party game developers, distribution channels and payment channels, on a regular basis. These third parties are deemed as our suppliers. Our five largest suppliers during the Track Record Period were third-party distribution channels and service charges by these distribution channels combined accounted for 41.0%, 45.0%, 39.7% and 50.5% of our cost of revenues in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively. Service charges by our single largest distribution channel accounted for 15.3%, 20.9%, 21.6% and 15.3% of our cost of revenues, respectively, in the same periods.

As of June 30, 2014, none of the Directors, their close associates or any shareholders of the Company (who or which to the knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest customers or suppliers.

OUR OPERATION AND MAINTENANCE INFRASTRUCTURE

We have built a robust technology infrastructure to support our overall business operation and system maintenance. Our operation and maintenance infrastructure is built through our own research and development efforts as well as hardware and software acquired from third parties.

We currently have a technical support team located in Beijing, China, to maintain our current technology infrastructure, to ensure the stability of our operations and to monitor and maintain our servers to avoid any breakdown and fix any technical problems when they arise.

Large Infrastructure

Our diversified online game portfolio and large global player base are supported by a stable and powerful network infrastructure. As of the Latest Practicable Date, we owned and leased a total of 895 dedicated servers hosted in eight Internet data centres ("IDCs"), six of which were located in China, one in Hong Kong and one in South Korea. We leased 67 server cabinets and multiple-line Internet connections with an aggregate bandwidth of 1.55 gigabits per second that connect our servers with the

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Internet backbones in China, including the networks operated by all three major communications service providers in China, as well as Internet networks in South Korea and Hong Kong through the Border Gateway Protocol (BGP) network that allows for fully decentralised routing. Our large infrastructure provides the necessary support for the operation of our diversified game portfolio and enables players from around the world to easily access and play our games smoothly. We believe that our current network facilities provide us with sufficient capacity to carry out our current operations and are able to be expanded to meet additional capacity needs relatively quickly and with minimum incremental cost.

Data Backup and Recovery

We have a comprehensive disaster recovery plan and back up our data locally, offsite and on different third locations on a real-time basis. Our local backups are made through local mirrors of data and the use of the Redundant Array of Independent Disks (RAID) technology, which is a data storage virtualization technology that combines multiple disk drive components into a logical unit for the purposes of data redundancy and performance improvement. Our remote and third-location backups are made through replication of data to off-site, large capacity storage clusters with aggregate capacity of 200 Terabyte (TB) which can back up each other and verify and monitor our data integrity. These backup systems allow us to promptly restore our data in the event of a disaster or loss of data due to other reasons.

Anti-attack System

The stability and safety of our network infrastructure is critical to our reputation and online game operations. We use data masking to protect commercially sensitive data in our client software and also have verification procedure to avoid the client software being tampered by regular hacking program. We cooperate with reputable cloud-platform providers, such as Microsoft, to ensure our data is uploaded to a stable system. We also store data separately with the main processing program so that even if the server is crashed, we will not suffer data loss. All of our servers are hosted in reputable IDCs which offer a safe hardware and network environment. To further protect our servers, protective gateway has been added to each of our servers, to make sure that the real server will not be the first target of hacking, if any. We have also set up an alarm system that will automatically alert us when hackers start to probe or attempt to attack our servers or there has been any change in the security policies of our servers so that we can take necessary defensive measures to protect the stability and integrity of our servers.

COMPETITION

Competition in the online game industry is intense both in China and internationally. We compete principally with online game developers and publishers in China, such as Tencent Holdings Limited, Netease, Perfect World and China Mobile Games and Entertainment Group Limited and in the international markets, such as CJ Game, Supercell and Kabam. We may also face competition from emerging online game developers and publishers, as well as some traditional client-based game company which intend to enter the mobile game market. Some of our existing and potential competitors have significantly greater financial, technological and marketing resources, a larger user base, stronger relationships with industry participants and a larger and more diverse portfolio of online games, greater development experience and resources than we do. We may also compete broadly for the leisure time and attention of our players with other forms of media and entertainment.





While we face a diverse group of existing and potential competitors, we compete primarily on our abilities to develop highly engaging midcore to hardcore mobile games, attract and retain paying players by anticipating and satisfying player demands, acquire new game players through marketing and






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advertising efforts, and ensure the stability of the game operation systems. For a discussion of risks relating to competition, see “Risk Factors — Risks Relating to Our Business — The online game industry in general, and the mobile game industry in particular, is highly competitive. If we are unable to compete effectively, our business, financial condition and results of operations will be materially and adversely affected.”

INTELLECTUAL PROPERTIES

We regard our proprietary domain names, copyrights, trademarks, trade secrets and other intellectual property highly important to our business operations. We had 14 registered domain names as of the Latest Practicable Date, including, among others, www.8864.com and www.linekong.com. We rely on a combination of patents, copyrights, trademarks and trade secret laws to protect our intellectual properties. As of the Latest Practicable Date, we had registered:

- 185 trademarks in China, including “” and “”, and trademarks relating to our games;
- three trademarks in Hong Kong, including “”, and “”; and
- 54 software copyrights in China, which are related to all of our self-developed games and our proprietary operating software.

As of the Latest Practicable Date, we had (i) 207 pending trademark applications in China, and (ii) 11 pending trademark applications in Hong Kong and Taiwan. As our trade names, brands and trademarks are becoming more recognized in China and overseas markets, we expect to devote additional resources to enhance the protection of our trademarks. Most of our trademarks are owned by Linekong Entertainment and its relevant operating subsidiary, and Linekong Entertainment, Tianjin 8864 and Shouyoutong own the software copyrights and domain names for the purpose of maintaining and renewing their operating licenses and permits as required by relevant PRC government authorities. Beijing Linekong Online has also initiated the transfer of certain trademarks from Linekong Entertainment to Beijing Linekong Online, including “”, “”, “”, “” and “” trademarks which are registered or having submitted the application for registration in PRC and in Hong Kong, that are material to the business of the Group and are currently held by Linekong Entertainment but are not game-related nor necessarily required to be held by Linekong Entertainment for the purpose of operating such business restricted to be conducted, directly or indirectly, by foreign investors or foreign owned or invested entities. Please refer to Appendix IV — Statutory and General Information — Our Intellectual Property Rights to this Prospectus for detailed information for our intellectual properties. Please also refer to the “Contractual Arrangements — Details of the Existing Agreements — Exclusive Technology Consulting and Service Agreement” and “—Exclusive Call Option Agreement” for details of the protection and the rights and control of Beijing Linekong Online over, among other things, the intellectual properties held by Linekong Entertainment and its operating subsidiary as provided for under the Contractual Arrangements. As of the Latest Practicable Date, we had not been subject to any material dispute or claims relating to infringement of trademarks and licenses.

We also have obtained intellectual property rights from third parties. We have exclusive adaption rights to develop online games by adapting the novel *The Legend of Zhen Huan* (後宮甄嬛傳). We also have exclusive rights to publish and operate the game with the title of *The Legend of Zhen Huan* (後宮甄嬛傳) globally. The term of the license agreement is five years and we have a pre-emptive right to renew the license agreement upon the expiration of the term. In addition, we, together with another third-party game developer, have obtained exclusive right to develop the mobile game adapted from the comic

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One Hundred Thousand Bad Jokes (十萬個冷笑話) and relevant animation, and publish and operate such game globally. The term of the license agreement is two years and will be automatically renewed for another year, subject to the satisfaction of certain conditions.

In relation to our self-developed games, we register software in China for copyright protection and take various measures to protect our source codes, including confidentiality agreements and limitation of access to source codes. We also endeavor to register the titles of our self-developed games as registered trademarks in classes relevant to online games in order to prevent others from using the same or similar titles and as a defensive measure to ensure we will not be prevented from using the titles by others in the future. Before we decide the title of a new game, we conduct searches on the official website of Trademark Office of the PRC to ensure it is not identical or similar to any registered trademarks or pending trademark registration applications. However, as of the Latest Practicable Date, the Trademark Office was still unable to update its database of pending trademark registration applications on a real time basis and there is usually a six-month delay between the time a trademark registration application is filed and when it appears in the database. As a result, when we file a trademark registration application for the title of a new game, we are not able to exclude the possibility that a third party has filed an application to register the same or similar title before us because such application may not have appeared in the Trademark Office's database. We encountered one such incident during the Track Record Period. We filed trademark registration application for *Excalibur* in class 41 in March 2012 but subsequently found out that a third-party filed an application to register the same trademark in the same class only a few days before us. While we have one of our employees filed an objection to the third party's application in March 2013 which was accepted by the Trademark Office in June 2013, the Trademark Office may not grant a ruling in our favor. On October 8, 2014, the manager of our legal department visited the Trademark Office together with representatives of our PRC Legal Advisor, the Joint Sponsors and the Joint Sponsors' PRC Legal Advisor and orally confirmed with the officials at the public inquiry window of the Trademark Office that the objection filed by our employee was still being reviewed and the third party's trademark registration application had not been approved. Our PRC Legal Advisor is of the view that the officials at the public inquiry window of the Trademark Office are competent and appropriate persons to provide such confirmation. As advised by our PRC Legal Advisor, we have the legal rights to continue to use *Excalibur* until the third party's trademark registration application is approved by the Trademark Office. If the third party's application is approved, we may be prohibited by the third party from using *Excalibur* thereafter and, as a result, we may need to change the title of the game, which may further cause confusions or negatively impact our ability to attract new players to the game. Moreover, if third parties use *Excalibur* as title of other games, we may not be able to stop them and, as a result, such games may confuse our players, erode our player base and adversely affect our business, financial condition and results of operations. We do not, however, expect any such adverse impact to be material because we have commercialized, and will continue to commercialize, more mobile games and our future business operation and financial performance will depend on the performance of our newer games while *Excalibur*, our first mobile game, had already been commercialized for more than 18 months and its contribution to our business, financial condition and results of operation is expected to decline.

Despite our efforts to protect our intellectual property, other online game developers and publishers may copy our ideas and designs, and other third parties may infringe on our intellectual property rights. Moreover, litigation may be necessary in the future to enforce our intellectual property rights. For details, see "Risk Factors — Risks Relating to Our Business — We may not be able to take measures that are sufficiently effective to protect our intellectual property, which may adversely affect our business and reputation."

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EMPLOYEES

As of December 31, 2012 and 2013, we had 445 and 402 full-time employees, respectively. As of October 31, 2014, we had 499 full-time employees, the vast majority of whom are based in Beijing. The following table sets forth the number of our employees by function as of October 31, 2014:

Function	Number of Employees	% of Total
Research and development	285	57.1
Game publishing:	159	31.9
- Customer service	65	13.0
- Sales and marketing	67	13.5
- Game licensing	27	5.4
General and administrative	55	11.0
Total:	499	100.0

We have established long-term cooperative relationships with top universities in China and recruited top graduates from these universities. We provide intensive customized training to our new hires, all of whom will be designated to mentors, i.e. experienced employees in relevant teams or departments, who provide them with constant on-the-job training.

As required by PRC regulations, we participate in various employee benefit plans that are organized by municipal and provincial governments, including basic pension insurance, unemployment insurance, basic medical insurance, occupational injury insurance, maternity leave insurance, and to housing accumulation funds. We are required under PRC law to make contributions to the employee benefit plans at specified percentages of the salaries, bonuses and certain allowances of our employees, up to a maximum amount specified by the local government from time to time. Bonuses are generally discretionary and based on the overall performance of our business. We also granted RSUs to our employees to incentivize their contributions to our growth and development under the RSU Scheme. We also awarded ordinary shares of our Company and equity interests in subsidiaries of Linekong Entertainment to our officers. For details about these awards, see the section headed “Financial Information — Critical Accounting Policies — Share-Based Payments” in this prospectus. We incurred staff costs of approximately RMB56.8 million, RMB93.4 million, RMB42.0 million and RMB43.2 million in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, representing 21.4%, 18.1%, 17.7% and 11.9%, of our total revenue for those periods. The total amount of contributions we made to employee benefit plans for 2012, 2013 and the six months ended June 30, 2013 and 2014 were approximately RMB12.6 million, RMB11.3 million, RMB6.2 million and RMB5.5 million, respectively. In addition to the RSU Scheme, we conditionally adopted a Share Option Scheme to incentivize our Directors, senior management, consultants, advisors and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. The principal terms of the RSU Scheme and the Share Option Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV to this prospectus.

We believe that we maintain a good working relationship with our employees and we did not experience any significant labor disputes or any difficulty in recruiting staff for our operations during the Track Record Period.

We enter into standard employment contracts with our executive officers, managers and employees. These contracts typically include a confidentiality provision that is effective indefinitely until we

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announce that the relevant information is no longer confidential or such information becomes generally available to the public.

PROPERTIES

As of the Latest Practicable Date, we leased a total of 13 properties with an aggregate gross floor area (“GFA”) of approximately 3,677 square meters, each with a GFA ranging from approximately 10 square meters to 3,000 square meters and with lease expiry dates ranging from September 15, 2014 to December 6, 2017. These leased properties are located in Beijing, Zhuhai and Tianjin, China and are used for non-property activities as defined under Rule 8.01(2) of the GEM Listing Rules and are principally used as our office premises for our operations. As of the Latest Practicable Date, we did not own any property.

Among the 13 leased properties, three properties with GFA of approximately 3,400 square meters currently used as office space, including one property with a GFA of approximately 3,000 square meters currently used as office space for our headquarters in Beijing, have been leased from lessors who were unable to provide the relevant building ownership certificates. While lessors have either provided land use right certificate showing the lessor as the holder of the land use right underlying the property as well as construction permits and approvals showing the lessor as the owner of the property, or premises lease confirmation issued by local government, showing the lessor has the right to lease the property, the lessor’s ownership of the property cannot be conclusively proved in the absence of the building ownership certificate, and as a result, the lease agreements we entered into for these properties may be challenged if any third party appears in the future who claims to be the owner of the properties. We believe our relocation from these properties, if compelled, is not expected to materially interrupt our daily operation. If we are compelled to relocate our operations, such relocation is not expected to have any material adverse effect on our financial conditions. In addition, none of our leases has been registered with relevant PRC government authorities as required by PRC laws. According to our PRC Legal Advisor, lease registration is not a mandatory condition for the validity of the lease agreements and the absence of such registration will not affect the legality of the lease agreements or impede our use of the relevant properties. The lack of lease registration may subject us to an administrative penalty of up to RMB10,000 for each non-registered lease. In addition, we are of the view that we can relocate to other comparable properties, if necessary, without any material adverse effect on our operations and financial conditions. See “Risk Factors — Risks Relating to Our Business — Our rights to use our leased properties could be challenged by third parties or government authorities, which may cause disruptions to our business operations.”

According to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice, this prospectus is exempted from compliance with the requirements of section 342(1)(b) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires a valuation report with respect to all our interests in land or buildings, for the reason that as of June 30, 2014, each of our property interests has a carrying amount below 15% of our consolidated total assets.

INSURANCE

We maintain social insurance for our employees in the PRC in accordance with the applicable laws of the PRC and requirements from the competent local authorities, of which the insurance premium is borne by us and the employees in a specific proportion regulated by the relevant PRC laws.

In line with market practice, we have not yet taken out any insurance to cover our main business operations in either the PRC or the overseas markets. In line with the market practice, we do not maintain

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business interruption insurance, key-man life insurance, insurance policies covering damages to our network infrastructures or information technology systems or any insurance policies for our properties. We do not maintain insurance policies against risks relating to the Contractual Arrangements either.

LICENSES, PERMITS AND APPROVALS

Our PRC Legal Advisor, Fangda Partners, has advised us that, except the publishing and filing procedures we need to complete for *Blade of God* at GAPP and the fact that we commercialized five of our games, namely *Unparalleled Devil*, *Bubble Ninja*, *Excalibur*, *Sword of Heaven* and *Blade of God*, before we completed the publishing and filing procedures with GAPP and obtained GAPP approvals for such games, during the Track Record Period and the subsequent period up to the Latest Practicable Date, we have obtained all requisite licenses, approvals and permits from the relevant government authorities that are material for our business operations in China and as of the Latest Practicable Date, such licences, approvals and permits remained in full effect, and no circumstances existed that would render their revocation or cancellation. Our PRC Legal Advisor also advised us that as of the Latest Practicable Date, there is no legal impediment to renew such licenses, approvals and permits. The following table sets forth details of our material licenses and permits:

License/Permit	Holder	Grant Date	Expiry Date
ICP License	Linekong Entertainment	October 13, 2012	October 13, 2017
	Shouyoutong	June 6, 2012	November 3, 2016
	Tianjin 8864	December 12, 2013	December 12 2018
Internet Cultural Business Permit	Linekong Entertainment	March 3, 2014	November 21, 2016
	Shouyoutong	October 24, 2011	December 31, 2014
	Tianjin 8864	August 29, 2013	August 1, 2016
	Beijing Lanhujing	September 11, 2014	September 10, 2017
Internet Publication License	Linekong Entertainment	January 6, 2011	December 31, 2016
High and New Technology Enterprise Confirmation Certificate	Linekong Entertainment	October 30, 2012	October 30, 2015
Software Enterprise Confirmation Certificate	Linekong Entertainment	May 17, 2013	Subject to annual review
	Shouyoutong ⁽¹⁾	May 17, 2013	Subject to annual review
	Tianjin 8864	April 30, 2014	Subject to annual review
	Beijing Linekong Online	May 4, 2014	Subject to annual review

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LEGAL COMPLIANCE AND PROCEEDINGS

During the Track Record Period and as of the Latest Practicable Date, we had not been and were not a party to any material legal, arbitral or administrative proceedings, and we were not aware of any pending or threatened legal, arbitral or administrative proceedings against us or any of our Directors which could have a material adverse effect on our operations or financial condition. Our PRC Legal Advisor has confirmed that, based on their knowledge after due inquiry and our Group's confirmation, there are no material legal, arbitral or administrative proceedings before any court of the PRC current or pending against, or involving the properties, or the business of, our Group (including claims from any intellectual property right holders for any infringement of its intellectual property rights) or to which any of the properties or members of our Group is subject.

As stated in the section headed "Regulatory Overview" in this prospectus, we are required to complete the publishing and filing procedures with the GAPP and obtain GAPP approvals for online games operated by us before they are officially launched pursuant to the Notice Regarding the Consistent Implementation of the Stipulations on Three Provisions of the State Council and the Relevant Interpretations of the State Commission Office for Public Sector Reform and the Further Strengthening of the Administration of Pre-examination and Approval of Internet Games and the Examination and Approval of Imported Internet Games (《關於貫徹落實國務院<“三定”規定>和中央編辦有關解釋，進一步加強網絡遊戲前置審批和進口網絡遊戲審批管理的通知》) (the "GAPP Online Game Notice"). As the GAPP Online Game Notice defines Internet publishing activities as the "provision of interactive online game playing or downloading service to the public through the Internet," we have been advised by our PRC Legal Advisor that we have the statutory obligation to complete such publishing and filing procedures and obtain GAPP approvals for online games operated by us because we are providing the interactive online game playing or downloading service to the public through the Internet. If we fail to complete such publishing and filing procedures and obtain GAPP approvals in time, or at all, these games may be ordered to be ceased in operation.

Our PRC operating entity, Linekong Entertainment, is a qualified publisher to publish online games in China. In our history, five of our games, namely *Unparalleled Devil*, *Bubble Ninja*, *Excalibur*, *Sword of Heaven* and *Blade of God*, were commercialized before Linekong Entertainment completed the publishing and filing procedures with GAPP and obtained GAPP approvals for such games.

The following table sets forth the date of commercialization and the date of the GAPP approval granted for each of these games:

<u>Title</u>	<u>Date of Commercialization</u>	<u>Date of GAPP Approval</u>
<i>Unparalleled Devil</i>	January 2011	Not applicable*
<i>Bubble Ninja</i>	September 2011	October 31, 2011
<i>Excalibur</i>	March 2013	June 5, 2014
<i>Sword of Heaven</i>	December 2013	June 5, 2014
<i>Blade of God</i>	March 2014	Not approved yet

Note:

* See below for explanation of why formal approval was not granted.

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We commercialized the above five games before obtaining GAPP approvals for the reasons described below:

- We engaged a third-party publisher to submit the application, which included information about our commercialization plan for *Unparalleled Devil* to GAPP in December 2010 because we did not have an online game publishing license in China at the time. After Linekong Entertainment obtained its license to publish online games in January 2011, we decided to stop engaging the third-party publisher for publishing our games. As a result, the third-party publisher was unwilling to follow up with the then on-going application for *Unparalleled Devil* and therefore, in January 2011, we verbally communicated with the Beijing Press and Publication Bureau and the GAPP of our commercialization plan of *Unparalleled Devil*, and tried to proceed with the relevant application to Beijing Press and Publication Bureau in our own name and publish the game ourselves after we obtained the license to publish online games. Since then, we had, from time to time, verbally enquired the Beijing Press and Publication Bureau of the status of the proposed application and how we could proceed with the relevant application. In respect of this special case concerning *Unparalleled Devil*, we verbally inquired an executive officer of Beijing Press and Publication Bureau and an executive officer of GAPP on how we could proceed with the relevant application and notwithstanding the frequent verbal enquiry with the Beijing Press and Publication Bureau and GAPP, both Beijing Press and Publication Bureau and GAPP only provided us with the verbal confirmation in February 2012 that, in relation to *Unparalleled Devil*, no approval would be formally issued and there was no further procedure or step that we needed to follow or take for the completion of the publishing and filing procedure with GAPP. We understand this is a case-specific decision made by the Beijing Press and Publication Bureau and GAPP after considering the special circumstances of this particular case and it does not represent any common practice by the authorities. Our PRC Legal Advisor advised us that, based on the confirmation letter issued by Beijing Press and Publication Bureau to us on March 14, 2014 and our interviews with Beijing Press and Publication Bureau, we should be deemed to have completed the publishing and filing procedure with GAPP and obtained GAPP approval for *Unparalleled Devil*. Our PRC Legal Advisor is also of the view that the executive officer of each of the Beijing Press and Publication Bureau and GAPP is the competent and appropriate person to provide such confirmation.
- *Bubble Ninja* was the first online game for which we handled the relevant GAPP publishing and filing procedure independently. Due to our unfamiliarity with the procedure at the time, we erroneously thought we were allowed to commercialize the game after the procedure was substantially completed even though GAPP had not issued its approval yet. After we commercialized the game in September 2011, we realized our mistake and communicated with Beijing Press and Publication Bureau promptly. As such, GAPP did not impose any penalty on us and completed the publishing and filing procedure for the game and issued its approval in October 2011.
- We commercialized three mobile games, *Excalibur*, *Sword of Heaven* and *Blade of God*, in 2013 and early 2014 without obtaining GAPP approvals primarily because, before early 2014, it was unclear whether the GAPP publishing and filing procedure should be applicable to mobile games and, if so, how mobile game publishers should submit the games to Beijing Press and Publication Bureau and GAPP for review based on our communication with Beijing Press and Publication Bureau. Before commercialization of each of our mobile games, we had engaged in frequent communication with Beijing Press and Publication Bureau regarding our

commercialization plan for the game and the possibility of commencing the GAPP publishing and filing procedure for the game. Based on such communication and to the best of our knowledge, Beijing Press and Publication Bureau did not accept any GAPP publishing and filing application relating to mobile games prior to 2014. In January 2014, Beijing Press and Publication Bureau met with us and certain other mobile game publishers in Beijing and informed us of the detailed requirements for mobile games, including (i) mobile games should be installed on mobile devices and submitted together with the devices to Beijing Press and Publication Bureau for their review as mobile games can only be played on mobile devices, (ii) the anti-fatigue compliance systems of mobile games are not required to be submitted for review, and (iii) other requirements for mobile games should be the same as the requirements for other online games, and that we may commence the GAPP publishing and filing procedures for our mobile games. Following the meeting notifying us of the detailed requirements for mobile games, we subsequently completed the publishing and filing procedures with GAPP and obtained GAPP approvals for *Excalibur* and *Sword of Heaven* in June 2014. We also submitted the application for *Blade of God* to Beijing Press and Publication Bureau and in February 2014, communicated with them about our commercialization plan for the game. As Beijing Press and Publication Bureau had only started to accept applications for mobile games in 2014, we believed at the time that they had a large backlog of applications for mobile games (including many that were already commercialized) to review and that there could be extended period of delay before they could start reviewing our application for *Blade of God*, and given such special circumstances, we believe that Beijing Press and Publication Bureau would not object if we commercialize *Blade of God* before completing the GAPP publishing and filing procedure and obtaining GAPP approval for the game and it is unlikely that we would be subject to any penalty as a result. Therefore, we commercialized *Blade of God* in March 2014. As of the Latest Practicable Date, we had not been penalized by any governmental authority as a result. We obtained the preliminary approval for *Blade of God* from Beijing Press and Publication Bureau on November 21, 2014, and the application materials have been submitted to GAPP for final approval. Beijing Press and Publication Bureau issued a written confirmation letter to us on November 13, 2014 confirming that during the period from January 6, 2011, when Linekong Entertainment's Internet Publishing License was issued, to the date of the confirmation, Linekong Entertainment had duly complied with all of its obligations relating to publishing and filing procedures with GAPP for all its games.

Please see “Risk Factors — Risks Relating to Our Business — Five of our games were commercialized in the PRC before we obtained GAPP approvals for such games and one of such games is still in the process of publishing and filing with the GAPP, pending GAPP approval” for further details.

Historically and since the promulgation of the Three Determination Notice, we have always, through third-party game publishers engaged by us or ourselves, submitted the relevant publishing and filing application with GAPP before the deadline stipulated in the Three Determination Notice for completion of the publishing and filing procedure, which is the official launching or commercialization of the relevant games. However, five out of the 14 online games we offered in the PRC since the promulgation of the Three Determination Notice were commercialized before obtaining GAPP approvals for the reasons stated above. Since Linekong Entertainment obtained its license to publish online games in China in January 2011, we have maintained frequent communication with Beijing Press and Publication Bureau on the relevant compliance matters and we further enhanced such communication after we noticed that we erroneously commercialized *Bubble Ninja* one month before obtaining GAPP

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approval in September 2011. Because of such communication and the cross-platform advertising campaigns we conducted for each of our games before its commercialization, we believe Beijing Press and Publication Bureau and GAPP were aware that the five games mentioned above were commercialized before obtaining GAPP approvals. We were not penalized by the relevant authorities for commercializing these games before obtaining GAPP approvals. Beijing Press and Publication Bureau and GAPP have completed the publishing and filing procedures and GAPP issued its approvals for all such games (except for *Blade of God* as disclosed above) as of the Latest Practicable Date. During the Track Record Period, the operation of none of the five games was affected due to our failures to obtain GAPP approvals before their commercialization.

Our PRC Legal Advisor is of the view that (i) there is no legal obstacle in completing the publishing and filing procedure with GAPP and obtain GAPP approval for *Blade of God*, as long as we follow the instructions and guidance of Beijing Press and Publication Bureau and GAPP after the submission of the application materials (ii) it is unlikely that GAPP would impose any retrospective penalty over our previous failures to complete the publishing and filing procedure with GAPP and obtain GAPP approval for the above-mentioned games before they were commercialized and that applicable PRC laws and regulations do not provide for any monetary penalty as a result of such failure, (iii) such previous failures are unlikely to be considered as a serious violation of the GAPP Online Game Notice, and (iv) it is unlikely that we will be subject to any other form of penalty resulting from such failures because:

- Two of the above-mentioned games, namely *Bubble Ninja* and *Unparalleled Devil* have been phased out, and two other games, namely *Excalibur* and *Sword of Heaven*, have completed the publishing and filing procedures with GAPP and obtained GAPP approvals. GAPP completed the relevant procedures and issued approvals for these four games even though such games were commercialized before completion of the publishing and filing procedure. With respect to *Blade of God*, we have submitted the application to Beijing Press and Publication Bureau which, to the best of our knowledge, is aware of the game's commercialization and on November 21, 2014, we obtained the preliminary approval for *Blade of God* from Beijing Press and Publication Bureau, and the application materials have been submitted to GAPP for final approval. However, as we are not in a position to control the internal procedures of Beijing Press and Publication Bureau and GAPP, we cannot predict with certainty when the GAPP approval for *Blade of God* will be obtained.
- The operation of none of the above-mentioned games was affected due to our previous failure to complete the publishing and filing procedures with GAPP and obtain GAPP approvals for these games.
- According to the Interim Regulations on Administration of Internet Publication (《互聯網出版管理暫行規定》), the administrative department of press and publication at provincial level shall be responsible for the daily administration on Internet publication, approving the applications for engagement in Internet publication business, and imposing penalties on the violations of publication regulations. Beijing Press and Publication Bureau is the administrative department of press and publication at provincial level in Beijing and therefore is the competent and appropriate government authority to determine whether we are in compliance with all of our obligations relating to publishing and filing procedure with GAPP for our games. Our PRC Legal Advisor is of the view that, in accordance with PRC administrative laws and regulations, an administrative authority at a higher level generally has a right to rectify actions of an administrative authority at a lower level, but only to the extent

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that such actions are inappropriate or illegal. Our PRC Legal Advisor has no reason to believe that the issuance of the confirmation letter by the Beijing Press and Publication Bureau is inappropriate or illegal, and therefore do not believe that GAPP will override the confirmation issued by Beijing Press and Publication Bureau.

- Beijing Press and Publication Bureau issued written confirmation letters to us on March 14, 2014 and November 13, 2014 confirming that during the period from January 6, 2011, when Linekong Entertainment's Internet Publishing License was issued, to the date of the last confirmation, Linekong Entertainment had duly complied with all of its obligations relating to publishing and filing procedures with GAPP for all of its games.

Based on our communication with Beijing Press and Publication Bureau and to the best of our knowledge, Beijing Press and Publication Bureau has not revoked the publishing license of any online game publisher solely due to its failure to obtain GAPP approvals for online games before their commercialization. On October 10, 2014, the manager of our legal department, the vice president of our public relations and administration department, together with representatives of our legal advisors, the Joint Sponsors, legal advisors to the Joint Sponsors and our auditor, also orally inquired an executive officer from Beijing Press and Publication Bureau, who confirmed that the situations described above are unlikely to be considered as a serious violation of the GAPP Online Game Notice and they do not plan to suspend or revoke any of our licenses or registrations as a result. Our PRC Legal Advisor is of the view that the executive officer is the competent and appropriate person to provide such confirmation. In addition, as disclosed above, our PRC Legal Advisor is also of the view that it is highly remote that GAPP would impose any retrospective penalty, including but not limited to cessation of the operation of the relevant games (including *Blade of God*) or revocation of any of our licenses, due to our previous failures to complete the publishing and filing procedures with GAPP and obtain GAPP approvals for the above-mentioned games before they were commercialized. Our PRC Legal Advisor also advised us that relevant PRC regulations do not provide that Beijing Press and Publication Bureau or GAPP is in a position to consider the income derived from an online game as illegal and confiscate such illegal income due to the fact that GAPP approval for the game was not obtained before its commercialization. In the highly remote situation where we were ordered to cease operation of *Blade of God*, we will redirect our resources for *Blade of God* to the games that are newly commercialized at the time of cessation and strengthen our marketing efforts in promoting such new games.

Due to the reasons stated above, our Directors are of the view that our failures to complete the publishing and filing procedure with GAPP and obtain GAPP approvals for the above-mentioned five games before their commercialization do not constitute material non-compliance incidents for us. We intend to continuously monitor GAPP and Beijing Press and Publication Bureau's practice with respect to the implementation of the GAPP Online Game Notice and aim to strictly comply with the GAPP publishing and filing requirement in the future.

Our PRC Legal Advisor is of the opinion that, other than disclosed in this section, we have complied with all applicable PRC laws and regulations during the Track Record Period in all material aspects.

To comply with PRC laws and regulations curbing addiction to online games by minors, we have adopted relevant measures to discourage minors from playing our games for extended period of time. If minors spend more than three hours on playing our games, their in-game benefit will be reduced by half automatically, and if they spend more than five hours, they will not be able to gain any additional in-game benefit. We require players to provide their identity card numbers to compare with the identity card data base we purchased, to identify whether they are minors. We assume a player to be minor if he or she

refuses to provide identity card number or fail to provide a valid one. In addition, we have adopted a parental control system that allows parents to control the amount of time their minor children can spend on our games. Parents can send us their minor children's account information with us together with proof of their custody right and ask us to adopt various measures to restrict their minor children's ability to play our games, including limiting the amount of time or the time period that their children can play our game each day or week. With strong reasons, parents can ban their minor children from playing our games as well. Our PRC Legal Advisor is of the opinion that, based on their knowledge after due inquiry and our Group's confirmation, we have complied with all PRC laws and regulations curbing addiction to online games during the Track Record Period.

On November 26, 2013, the General Office of the MOC issued the Notice on Conducting the Nineteenth Investigation of the Illegal Internet Cultural Activities (No. Ban Shi Han [2013]453) (《文化部辦公廳關於開展第十九批違法違規互聯網文化活動查處工作的通知》(辦市函[2013]453號)), according to which Linekong Entertainment is found to have given free virtual items to players based on random selection through a "lucky draw" which involved virtual credits paid by players during operation of the *Excalibur*, which had potentially violated *The Interim Measures for the Administration of Online Games* (《網路遊戲管理暫行辦法》), and was required to correct this aspect of the game operation. Upon receiving the aforesaid notice, we immediately stopped the relevant activities and submitted the rectification report and no administrative or other penalties were imposed on us in respect of this incident. Furthermore, the Beijing MOC (北京市文化局) issued a compliance letter on May 14, 2014 and Beijing Culture Market Administrative Law Enforcement Team (北京市文化市場行政執法總隊) issued a compliance letter on May 4, 2014 confirming that Linekong Entertainment has never been in violation of laws and regulations relating to online game operation and no penalty has been imposed to Linekong Entertainment. As of the date of this Prospectus, we have not encountered any similar incidents. Please see "Risk Factors — Risks Relating to Our Industry — Compliance with the laws or regulations governing virtual currency may result in us having to obtain additional approvals or licenses, change our current business model or cease certain game features" for further details. Based upon the aforesaid, our PRC Legal Advisor is of the view that Linekong Entertainment will not be subject to any penalties relating to the Notice on Conducting the Nineteenth Investigation of the Illegal Internet Cultural Activities (No. Ban Shi Han [2013] 453).

Our PRC Legal Advisor is also of the view that we have complied with, and our games do not constitute gambling activities prohibited under the Anti-gambling Notice and the Virtual Currency Notice, have not conducted any of the prohibited acts thereunder in our operation of online games and have not offered or promoted our games as a tool for gambling.

RISK MANAGEMENT

We are devoted to establishing risk management and internal control systems consisting of an organizational framework, policies, procedures and risk management methods that we consider to be appropriate for our business operations, and we are dedicated to continuously improving these systems. We have established a control system over various aspects of our operations and are constantly monitoring the effectiveness of our risk management system.

General Legal Compliance Risk Management

We have adopted internal risk management procedures to ensure regulatory compliance in our business operations both in China and in overseas markets. Under these procedures, our in-house legal department, which was established in 2010, is responsible for monitoring the regulatory environment and developments in local laws and regulations to support our business expansion in our existing and future

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target markets. Ms. Shanshan Qin, the manager of our legal department, has been with us for four years since our legal department was established.

Our in-house legal department is responsible for examining the contract terms and all relevant documents, including conducting preliminary due diligence on our business partners, including examining the requisite licenses they shall obtain, such as the Internet Culture Business Permit, and all the necessary underlying due diligence materials, before we enter into any contract and will review our contracts on a monthly basis to ensure that they comply with the most updated laws and regulations. Our in-house legal department also organizes seminars every year for our employees to explain to them legal compliance matters relating to our daily operation.

In addition, our in-house legal department also maintains and updates a checklist of requisite licenses, permits or approvals for online game development and operation in China, and when a project is initiated, our in-house legal department will inform the related project team the content of the checklist as well as the period of time needed for preparation. Among others, our in-house legal department will cooperate with other relevant departments to commence the publishing and filing procedure with the GAPP and the filing procedure with MOC for a newly developed game to ensure that we can obtain GAPP approval before the game is commercialized and complete MOC filing procedure after the game is commercialized in China. After we erroneously commercialized *Bubble Ninja* one month before obtaining GAPP approval in September 2011, we enhanced our communications with relevant government authorities to continuously seek their guidance on their interpretation and implementation of the laws and regulations applicable to us and our business activities. Please see “Risk Factors — Risks Relating to Our Business — Five of our games were commercialized in the PRC before we obtained GAPP approvals for such games and one of such games is still in the process of publishing and filing with the GAPP, pending GAPP approval” for further information. We aim to strictly comply with the GAPP publishing and filing requirement in the future. In 2010, pursuant to relevant PRC rules and regulations, the manager of the legal department of our Company was mainly responsible for undertaking and overseeing our internal review procedures. In late 2011, we initially established the internal review committee and the committee initially comprised of three members, being the manager of our legal department, one member from and the vice president of public relations and administration department of our Company, with our president, Ms. Liao Mingxiang, supervising the operation of the internal review committee. As and when the game operations of our Company continued to expand and as the management placed more focus on internal review matters, in November 2013, we further enhanced and optimized our internal review procedures and the internal review committee has been expanded to comprise of our president, Ms. Liao Mingxiang, the relevant vice president in charge of game development and operation with respect to the specific game or project, and members from our in-house legal department and other relevant departments to ensure better collaboration between the game operations team as well as our legal and management team. According to our current internal control procedures, prior to the commercialization of a new game, the internal review committee will review and confirm that the game is in full compliance with the relevant laws and regulations. Upon notice of first internal testing of a new game, our in-house legal department will begin to prepare application materials for GAPP approval and then continue to cooperate with other relevant departments to make sure that the publishing and filing procedure with GAPP is completed, GAPP approval is obtained for the game and the MOC filing procedure is completed or can be completed before the deadline specified under relevant PRC regulations. After the commercialization of the game, our in-house legal department, together with the relevant development and operation team, will conduct a real-time monitoring to ensure the game operation, including the player activities in the game, is in compliance with all the relevant rules and regulations.

Intellectual Property Rights Risk Management

We have established detailed measures to ensure that the contents of our online games are in compliance with the relevant rules and regulations in the PRC and overseas markets. During the game development and operation, our legal department typically engage professional agencies to continuously conduct intellectual property right search in PRC and overseas markets, primarily by conducting researches on the relevant websites that are open to public, to avoid potential infringement upon third parties' existing trademark, copyright or patent rights. Our legal department follows our internal procedures and actively applies for registration for trademark, copyright or patent for new games.

Under our internal procedures, the initial applicant needs to submit the application materials relating to the proposed trademark, copyright or patent right to our in-house legal department for a preliminary review. The applicant is required to provide all relevant information requested by our in-house legal department for purposes of making a preliminary assessment on whether such application violates any third parties' existing intellectual property rights. The professional agencies we engaged will subsequently complete the application with the relevant government authorities. When necessary, such as when evaluating whether a patent application is significant and relevant to our game development and operation, the in-house legal department will also consult with our technical team. However, even we have implemented such measures, we may still not be able to register trademarks for our games in a timely manner, or our application may be subject to disputes or objections. Please see "Risk Factors — We may not be able to take measures that are sufficiently effective to protect our intellectual property, which may adversely affect our business and reputation" for further information.

Internal Control Department

We have also established the internal control department in March 2014 to strengthen and improve our internal control. Ms. Shen Yuanyuan, who is a member of the American Institute of Certified Public Accountants of Iowa and has four years' related experience, is in charge of this department. The major functions of our internal control department primarily include drafting and optimizing internal control measures and procedures of our Company, supervising the implementation of such internal control procedures, testing and evaluating such internal control measures, especially those relating to information disclosure and financial report drafting, and managing risks relating to internal auditing.

Our Directors confirm that, as of the Latest Practicable Date, none of our games or our game business had been challenged or subject to any regulatory actions by any governmental authorities in any of our target markets. Our Directors are of the view that we have adequate internal control procedures in place.

Internal Control Consultants

To enhance our internal controls as well as in connection with the Listing, we have engaged an internal control reviewer to perform long form report from February 2014 to April 2014, covering areas such as company level control, revenue recognition, procurement, fixed assets management, intangible assets management, treasury management, tax management, human resources, financial closing, information technology, research and development expense management. The scope of internal control review work to be performed and the long form report to be issued have been agreed between the Sponsors, our internal control reviewer and us. The work performed noted a number of findings, and the internal control reviewer provided the corresponding suggestions for remedial actions.

The internal control reviewer also performed follow-up procedures on our system of internal control in May 2014, with regard to the remedial actions taken by us. The Directors confirmed that all remedial

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actions have been implemented. The internal control reviewer performed follow-up procedures on our system of internal controls in May 2014, with regard to the remedial actions taken by our Company. The work performed and the follow-up review did not identify any material weakness, and our Directors confirmed that there is no material weakness in our internal control measures.

AWARDS AND RECOGNITIONS

During the Track Record Period, we have received various awards and recognition in respect of the quality and popularity of our products and services, among which include the following:

<u>Award/Recognition</u>	<u>Award Date</u>	<u>Awarding Institution/Authority</u>	<u>Entity/Product</u>
2014 Top-Ten Game Publisher	2014	4 th Mobile Game Summit	the Company
Top-Ten Most Anticipated Original Mobile Game	2014	GIAC	Sword of Heaven
Most Popular Mobile Game	2014	2 nd Global Mobile Game Congress	Sword of Heaven
Best Card Mobile Game	2014	2 nd Global Mobile Game Congress	Blade of God
The Best Mobile Game Publisher	2013	China Mobile Game Congress	the Company
Golden Finger Award for China Animation Game	2013	GTAC	the Company
Most Anticipated Mobile Game	2013	GIAC	Sword of Heaven
Outstanding Mobile Game	2013	GTAC	Excalibur
Top-Ten Most Popular Original Mobile Game	2013	GIAC	Excalibur
Golden Feather Award as Players' Most Favorite Mobile Game	2013	ChinaJoy Festival	Excalibur
Top-Ten Mobile Games	2013	Baidu Game Billboard	Excalibur
Shining Star-Best Quality Mobile Game	2013	Shining Star 360 Festival	Excalibur
Golden Finger Award as the Most Favorite Game	2012	GTAC	Three Kingdoms
Top-Ten Most Popular Webgame in 2012	2012	GIAC	Three Kingdoms
Top-Ten Most Popular Online Game in 2012	2012	GIAC	Daybreak
Top-Ten Most Popular Webgame in 2012	2012	Publishers Association of China	Daybreak
2011 China Most Popular Online Game Company of the Year	2011	17173 Game Grand Ceremony	the Company
2011 China Game Industry Golden Finger Award	2011	GIAC	the Company

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<u>Award/Recognition</u>	<u>Award Date</u>	<u>Awarding Institution/Authority</u>	<u>Entity/Product</u>
2011 Outstanding Enterprise of the Year	2011	GIAC	the Company
2010 Top-Ten Online Game Developers	2010	GIAC	the Company
2010 Top-Ten Online Game Operators	2010	GIAC	the Company
2010 Overseas Expansion of Original Games Award	2010	GIAC	the Company
2010 China Best Online Game Company of the Year	2010	17173 Game Grand Ceremony	the Company
Top Ten New Game	2010	ChinaJoy	the Journey to the West
Best 2D Online Game in China	2010	17173 Game Festival	the Journey to the West
Best Domestic Original Online Game in China	2010	17173 Game Festival	the Journey to the West
2009 Top-Ten Online Game Developers	2009	GIAC	the Company
2009 Overseas Expansion of Original Games Award	2009	GIAC	the Company
2009 Outstanding Growing Enterprise	2009	GTAC	the Company
2009 Top-10 Most Popular Original Online Games	2009	GIAC	Heaven Sword & Dragon Sabre
Golden Finger Award as the most anticipated online game	2009	GIAC	The Journey to the West
2008 Top-Ten Online Game Developers	2008	GIAC	the Company
2008 China Top-Ten Game Developers	2008	GIAC	the Company
2008 Top-10 Most Popular Original Online Games	2008	GIAC	Heaven Sword & Dragon Sabre
2008 Most Anticipated Online Games	2008	GIAC	Heaven Sword & Dragon Sabre
Golden Feather Award: Top-Ten Game Players' Favorite Online Games	2008	ChinaJoy Festival	Heaven Sword & Dragon Sabre
2007 Top-Ten Raising Game Companies	2007	GIAC	the Company

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Each of Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu (each a “Founder”, and collectively, the “Founders” or the “Founders Group”) is an original founder of our Company and the registered shareholders of Linekong Entertainment (our PRC operating entity and our VIE). As of the date of this prospectus, Wangfeng Management Limited (a company wholly owned by Mr. Wang Feng), Liaomingxiang Holdings Limited (a company wholly owned by Ms. Liao Mingxiang) and Brisk Century Limited (a company wholly owned by Mr. Zhang Yuyu), are entitled to exercise voting rights of approximately 22.50%, 4.11% and 3.51% of the total issued share capital of our Company, respectively, and which collectively hold approximately 30.13% of the total issued share capital of our Company. In addition, the Founders collectively hold the entire equity interest in Linekong Entertainment, and we, through our wholly-owned subsidiary, Beijing Linekong Online, have entered into certain agreements underlying the Contractual Arrangements with Linekong Entertainment and the Founders. For further details of such agreements, please refer to the section headed “Contractual Arrangements” in this prospectus. The Founders are (and have been) acting in concert when exercising their shareholders’ rights in our Company and Linekong Entertainment since the respective date of incorporation of our Company and Linekong Entertainment and the Founders have always been in consensus and in agreement when exercising their shareholders’ rights when passing shareholders’ resolutions of our Company and Linekong Entertainment. Accordingly, the Founders (through their respective wholly owned holding companies, Wangfeng Management Limited, Liaomingxiang Holdings Limited and Brisk Century Limited) are the dominating and controlling shareholders of our Company as of the date of this prospectus.

Immediately following the completion of the Global Offering (without taking into account the Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), each of Wangfeng Management Limited, Liaomingxiang Holdings Limited and Brisk Century Limited will be entitled to exercise voting rights of approximately 18.00%, 3.29% and 2.81% of the total issued share capital of our Company, respectively, and which will collectively hold approximately 24.10% of the total issued share capital of our Company. Accordingly, the Founders (through their respective wholly owned holding companies, Wangfeng Management Limited, Liaomingxiang Holdings Limited and Brisk Century Limited) will continue to remain the dominating group of shareholders which would continue to hold a controlling interest in our Company and Linekong Entertainment.

COMPETING INTERESTS

Mr. Wang Feng holds approximately 4.02% of the total equity interest in Beijing Locojoy Technology Co., Ltd (北京樂動卓越科技有限公司) (“Locojoy”), an Internet company operated in the PRC, which is primarily engaged in developing and publishing online games. Based on public information available on the official website of Locojoy and according to the Analysys Report, Locojoy is a Beijing-based online and mobile game developer and publisher established in May 2011 with a focus to developing and publishing its mobile games in China and overseas. In addition, according to the Analysys Report, Locojoy ranked second and sixth of all the mobile game developers in China in terms of gross billings of all games developed by such developers and a market share of approximately 6.19% and 2.91% in 2013 and the first seven months of 2014, respectively. Mr. Wang does not hold any directorship, nor is he entitled to any special shareholder’s rights (such as information right or management right) in Locojoy. There is no overlapping management between Locojoy and our Company.

Whilst both the Joint Sponsors and our Company consider that the business of Locojoy would or may compete with the business of our Company given that Locojoy is also a Beijing-based online game

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developer, both the Joint Sponsors and our Company are of the view that Mr. Wang's passive and small investment in Locojoy would not hinder our Company's ability of carrying out its business independently and Mr. Wang's ability to discharge his duties as a director after the Global Offering due to the following reasons: (i) Mr. Wang is only a passive minority shareholder without any special shareholder's rights (including information right and management right) and hence will not be in a position to have any control or meaningful influence over the management of Locojoy; (ii) Mr. Wang does not hold directorship or managerial position in Locojoy, nor is there any overlap between the management between Locojoy and our Company; (iii) according to the Analysys Report, there were almost 10 thousand mobile game development enterprises and teams in China at the end of 2013 and hence the China's mobile game industry is highly fragmented, and accordingly, it is believed that the impact on our Company as a result of direct competition, if any, from Locojoy would be limited; and (iv) as further disclosed below in the section headed "Relationship with our Controlling Shareholders — Corporate Governance Measures" in this prospectus, we have implemented various corporate governance measures to manage existing and potential conflicts of interest, and which our Directors believe that these are adequate measures in place to manage conflicts.

IDG Group, one of our Pre-IPO Investors and a substantial shareholder of our Company, is engaged in venture investment focusing on early stage and TMT-related projects in China. IDG Group and its affiliates have an interest in a portfolio of online and mobile games companies with headquarters and/or operations in China, including listed companies, IGG Inc. (a company listed on GEM, Stock Code: 8002), NetDragon Websoft Inc. (a company listed on the Main Board of the Stock Exchange, Stock Code: 777), KongZhong Corporation (NASDAQ: KZ) and private companies, namely T3 Entertainment Co., Ltd., Gbits Network Technology, Haypi Co., Ltd., EJoy.com Limited, Happy China Limited, Appionics Holdings Limited, 798 Entertainment Limited (a subsidiary of China TechFaith Wireless Technology Limited (a company listed on Nasdaq Stock Market (NASDAQ: CNTF)) and V8 Entertainment Inc.. The shareholding interests which IDG Group holds in these investment portfolio companies ranges from 5.50% to 25.30%. Accordingly, IDG Group does not hold a controlling interest in any of these portfolio companies. IDG Group has also nominated one of its representatives to the board of directors in each of these portfolio companies (except for KongZhong Corporation and Happy China Limited) and each of these representatives holds a non-executive role in the relevant portfolio company and the IDG Group does not control any of the board of directors of the portfolio companies.

Starwish Global Limited, one of our Pre-IPO Investors and a substantial shareholder of our Company upon completion of the Global Offering, is a special purpose vehicle established and wholly-owned by China Momentum Fund, L.P., an exempted limited partnership in Cayman Islands principally engaged in venture capital investments. Fosun China Momentum Fund GP, Ltd., the general partner of China Momentum Fund, L.P., is in turn indirectly wholly-owned by Fosun International Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00656). Fosun International Limited and its subsidiaries (the "Fosun Group") is an investment group taking roots in China with a global foothold. It has established four business engines comprising insurance, industrial operations, investment and asset management. The Fosun Group has an interest in a portfolio of online and mobile game companies with headquarters and/or operations in China, including listed companies, Perfect World Co., Ltd. (NASDAQ: PWRD) and DeNA Co., Ltd. (a company listed on the Tokyo Stock Exchange, Stock Code: 2432), and in private mobile and online game companies including Joyme.com, Shanghai MUYOU Internet Technology Co., Ltd. (上海木遊網絡科技有限公司) and LL Games PTE LTD. The shareholding interests which Fosun Group holds in these investment portfolio companies ranges from 0.75% to 17.50%. Accordingly, Fosun Group does not hold a controlling interest in any of these portfolio companies. In addition, Fosun Group does not hold any board seat in the two listed online and mobile

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game portfolio companies. On the other hand, Fosun Group has the right to nominate one of its representatives to act as a non-executive director in each of the private portfolio companies and the Fosun Group does not control any of the board of directors of the private portfolio companies.

Save as aforementioned, each of our Controlling Shareholders, Directors and substantial shareholders of our Company confirms that he, she or it or his/her/its respective close associates does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Having considered the following factors, our Directors are satisfied that we are capable of carrying out our business independently from our Controlling Shareholders and their respective close associates after the Global Offering.

Management Independence

The Board comprises three executive Directors (including Mr. Wang Feng and Ms. Liao Mingxiang), one non-executive Director and three independent non-executive Directors. Our management and operational decisions are made by our executive Directors and senior management, most of whom have served our Group for a long time and have substantial experience in the industry in which we are engaged. Each of our Directors is aware of his fiduciary duties as a Director which require, among others, that he/she must act for the benefit of and in the best interests of our Company and not allow any conflict between his/her duties as a Director and his/her personal interests. Further, we believe our independent non-executive Directors bring independent judgment to the decision-making process of our Board. In addition, our Directors shall not vote in any Board resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest and shall not be counted in the quorum present at the particular Board meeting. Accordingly, our Directors are of the view that we are able to operate independently from the Controlling Shareholders notwithstanding that each of Mr. Wang Feng and Ms. Liao Mingxiang is also a Controlling Shareholder and an executive Director.

Apart from the transactions set out in the sections headed “Contractual Arrangements” and “Connected Transactions” in this prospectus, our Directors do not expect that there will be any other significant transactions between our Group and our Controlling Shareholders upon or shortly after the Listing.

Based on the above, our Directors are satisfied that our Board as a whole together with our senior management team is able to perform the managerial role in our Group independently.

Operational Independence

Although the Controlling Shareholders will continue to be dominating group of shareholders which would continue to hold a controlling interest in our Company after the Listing, we have full rights to make all decisions regarding, and to carry out, our own business operations independently. Our Company (through our subsidiaries or pursuant to the Contractual Arrangements) holds or enjoys the benefit of all relevant licenses necessary to carry on our businesses, and has sufficient capital, equipment and employees to operate our business independently from the Controlling Shareholders.

In addition, although our Controlling Shareholders will retain the entire equity interests of our PRC operating entity, Linekong Entertainment, pursuant to the Contractual Arrangements, our Directors are

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

authorized to exercise all of the rights of shareholders of Linekong Entertainment and we have the right to enjoy all the economic benefits of Linekong Entertainment and to exercise management control over the operations of Linekong Entertainment. Pursuant to the Amended and Restated Exclusive Call Option Agreement, Beijing Linekong Online has been granted irrevocable options to, by itself or through any of its designees, (i) purchase, to the extent permitted by PRC laws and regulations, the equity interests in Linekong Entertainment, entirely or partially, at a minimum purchase price permitted under applicable PRC laws and regulations or (ii) acquire, to the extent permitted by PRC laws and regulations, all or part of the assets of Linekong Entertainment at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Our Directors consider that through the Contractual Arrangements, our Group has obtained financial and operational control of Linekong Entertainment and its subsidiaries through Beijing Linekong Online and that the Contractual Arrangements are sufficient to ensure that the financial results of Linekong Entertainment and its subsidiaries can be consolidated as a subsidiaries of our Company.

Based on the above, our Directors are satisfied that we have been operating independently from our Controlling Shareholders and their respective close associates during the Track Record Period and will continue to operate independently.

Financial Independence

During the Track Record Period and up to the Latest Practicable Date, our Group has our own internal control, accounting and financial management system, accounting and finance department, independent treasury functions for cash receipts and payment and we make financial decision according to our own business needs.

In addition, our Group does not rely on our Controlling Shareholders and/or their close associates by virtue of their provision of financial assistance. During the Track Record Period and up to the latest Practicable Date, our Group does not have any long-term loan or other type of long-term financing. Our Directors believe that we are capable of obtaining financing from external sources without reliance on our Controlling Shareholders.

In order to satisfy the funding needs in Linekong Entertainment, the Registered Shareholders borrowed a sum of RMB9,970,000 from our Company without interest on or around the date of establishment of Linekong Entertainment. The Founders subsequently entered into the Loan Agreement with Beijing Linekong Online pursuant to which Beijing Linekong Online agreed to lend a total of RMB9,970,000 to the Founders without interest to allow them to repay the initial loan from our Company, which forms part of the overall scheme of enhancing the control over Linekong Entertainment pursuant to the Contractual Arrangements. Further details of the Loan Agreement underlying the Contractual Arrangements are set out in the section headed “Contractual Arrangements — Loan Agreement” in this prospectus. Our Company and our Directors does not believe that the existence of this Loan Agreement would affect our ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective.

Based on the above, our Directors believe that we have the ability to operate independently of our Controlling Shareholders and their respective close associates from a financial perspective and are able to maintain financial independence from our Controlling Shareholders and their respective close associates.

CORPORATE GOVERNANCE MEASURES

Each of our Controlling Shareholders has confirmed that it/he/she fully comprehends its/his/her obligations to act as our Shareholders’ and our best interests as a whole. Our Directors believe that there

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

are adequate corporate governance measures in place to manage existing and potential conflicts of interest. In order to further avoid potential conflicts of interest, we have implemented the following measures:

- (a) as part of our preparation for the Global Offering, we have amended our Articles of Association to comply with the GEM Listing Rules. In particular, our Articles of Association provided that, unless otherwise provided, a Director shall not vote on any resolution approving any contract or arrangement or any other proposal in which such Director or any of his/her close associates have a material interest nor shall such Director be counted in the quorum present at the meeting;
- (b) a Director with material interests shall make full disclosure in respect of matters that conflict or potentially conflict with our interest and absent himself/herself from the board meetings on matters in which such Director or his/her close associates have a material interest, unless the attendance or participation of such Director at such meeting of the Board is specifically requested by a majority of the independent non-executive Directors; and
- (c) we are committed that our Board should include a balanced composition of executive and non-executive Directors (including independent non-executive Directors). We have appointed three independent non-executive Directors and we believe our independent non-executive Directors possess sufficient experience and they are free of any business or other relationship which could interfere in any material manner with the exercise of their independent judgment and will be able to provide an impartial, external opinion to protect the interests of our public Shareholders. Details of our independent non-executive Directors are set out in the section headed “Directors and Senior Management — Directors and Senior Management — Independent non-executive Directors” in this prospectus;
- (d) in the event that the independent non-executive Directors are requested to review any conflicts of interests circumstances between our Group on the one hand and our Controlling Shareholders and/or our Directors on the other, our Controlling Shareholders and/or our Directors shall provide the independent non-executive Directors with all necessary information and our Company shall disclose the decisions of the independent non-executive Directors (including why business opportunities referred to it by the Controlling Shareholders were not taken up) either through our annual report or by way of announcements; and
- (e) we have appointed REORIENT Financial Markets Limited as our compliance advisor, which will provide advice and guidance to us in respect of compliance with the applicable laws and the GEM Listing Rules including various requirements relating to directors’ duties and corporate governance.

In addition, our Group will also adopt relevant measures to ensure the sound and effective operation of our Group (including Linekong Entertainment and its subsidiaries) and the implementation of the Contractual Arrangements upon Listing. For details, please see the section headed “Contractual Arrangements — Operations in compliance with the Contractual Arrangements”.

CONNECTED TRANSACTIONS

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

We have entered into the Contractual Arrangements with our connected persons and the transactions contemplated under the Contractual Arrangements will constitute continuing connected transactions, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules, upon the Listing. Set out below are the details of the continuing connected transactions and the relevant GEM Listing Rules implications:

Contractual Arrangements

As disclosed in the section "Contractual Arrangements" in this prospectus, we, as foreign investors, are prohibited from holding equity interest in Linekong Entertainment, our PRC operating entity and our VIE, which conducts our online and mobile games business (the "Principal Business") and is considered to be engaged in the provision of value-added telecommunications services. As a result, our Group, through our wholly-owned subsidiary, Beijing Linekong Online, has entered into the Contractual Arrangements such that we can conduct our Principal Business indirectly in the PRC through Linekong Entertainment while complying with applicable PRC law and regulations. The Contractual Arrangements are designed to provide our Group with effective control over the financial and operational policies of Linekong Entertainment and, to the extent permitted by PRC law and regulations, the right to acquire the equity interests in and/or the assets of Linekong Entertainment after Listing through Beijing Linekong Online. As we operate our Principal Business through Linekong Entertainment, which is controlled by Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu (each a "Registered Shareholder", and collectively the "Registered Shareholders") and we do not hold any direct equity interest in Linekong Entertainment, the Contractual Arrangements were entered into on April 22, 2008 and restated and amended on January 16, 2014 pursuant to which all economic benefits and risks arising from the business of Linekong Entertainment are transferred to our Group.

The Contractual Arrangements currently in effect comprise of four agreements, namely (i) the Amended and Restated Exclusive Technology Consulting and Service Agreement, (ii) the Amended and Restated Exclusive Call Option Agreement, (iii) the Amended and Restated Equity Pledge Agreement and (iv) the Loan Agreement, which were entered into between or amongst Beijing Linekong Online, Linekong Entertainment and the Registered Shareholders (as the case may be), and the irrevocable Powers of Attorney executed by each Registered Shareholder pursuant to which each of the Registered Shareholders has appointed an authorized director of any direct or indirect shareholder of Beijing Linekong Online or his/her successor who is a PRC citizen as his/her proxy to exercise all of their respective shareholders' rights in Linekong Entertainment, the detailed terms of the four agreements and the Powers of Attorney are set out in the section headed "Contractual Arrangements" in this prospectus.

GEM Listing Rules Implications

Each of Mr. Wang Feng and Ms. Liao Mingxiang is a substantial shareholder and an executive Director of our Company and is therefore a connected person of our Company under Rule 20.07(1) of the GEM Listing Rules. Mr. Zhang Yuyu, is a substantial shareholder and a director of Linekong Entertainment and certain of its subsidiaries and is therefore a connected person of our Company under Rule 20.07(1) of the GEM Listing Rules. In addition, Linekong Entertainment is owned as to 75.45%, 13.64% and 10.91% by Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu, respectively, and hence an associate of Mr. Wang Feng. Linekong Entertainment is therefore a connected person of our Company under Rule 20.07(4) of the GEM Listing Rules. Accordingly, the transactions contemplated under the Contractual Arrangements constitute continuing connected transactions of our Company under the GEM Listing Rules upon Listing.

CONNECTED TRANSACTIONS

Our Directors (including the independent non-executive Directors) are of the view that the Contractual Arrangements and the transactions contemplated thereunder are fundamental to our Group's legal structure and business operations, that such transactions have been and shall be entered into on normal commercial terms and are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of our Company and the Shareholders as a whole. Our Directors also believe that our Group's structure whereby the financial results of Linekong Entertainment and its subsidiaries are consolidated into our Group's financial statements as subsidiaries, and the flow of economic benefit of their business to our Group places our Group in a special position in relation to relevant rules concerning connected transactions under the GEM Listing Rules. Accordingly, notwithstanding that the transactions contemplated under the Contractual Arrangements and any new transactions, contracts and agreements or renewal of existing agreements to be entered into between Linekong Entertainment and any member of our Group ("**New Intergroup Agreements**") technically constitute continuing connected transactions under Chapter 20 of the GEM Listing Rules, our Directors consider that it would be unduly burdensome and impracticable, and would add unnecessary administration costs to our Company if such transactions are subject to strict compliance with the requirements set out under Chapter 20 of the GEM Listing Rules, including, among others, the announcement and independent shareholders' approval requirements.

Application for waiver

In view of the above, we have applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 20.103 of the GEM Listing Rules from strict compliance with (i) the announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules in respect of the transactions contemplated under the Contractual Arrangements, (ii) the requirement of setting an annual cap for the fees payable to Beijing Linekong Online under the Contractual Arrangements, and (iii) the requirement of limiting the term of the Contractual Arrangements to three years or less, for so long as Shares are listed on GEM subject however to the following conditions:

(a) No change without independent non-executive Directors' approval

No change to the Contractual Arrangements will be made without the approval of the independent non-Executive Directors.

(b) No change without independent Shareholders' approval

Save as described in paragraph (d) below, no change to the agreements governing the Contractual Arrangements will be made without the approval of our Company's independent Shareholders. Once independent Shareholders' approval of any change has been obtained, no further announcement or approval of the independent Shareholders will be required under Chapter 20 of the GEM Listing Rules unless and until further changes are proposed. The periodic reporting requirement regarding the Contractual Arrangements in the annual reports of our Company (as set out in paragraph (e) below) will however continue to be applicable.

(c) Economic benefits flexibility

The Contractual Arrangements shall continue to enable our Group to receive the economic benefits derived by Linekong Entertainment through (i) our Group's option, to the extent permitted under PRC laws and regulations, to acquire, all or part of the equity interests in and/or assets of Linekong Entertainment at the minimum purchase price permitted under PRC laws and regulations, (ii) the business structure under which the profit generated by Linekong Entertainment is substantially retained by our

CONNECTED TRANSACTIONS

Group, such that no annual cap shall be set on the amount of service fees payable to Beijing Linekong Online by Linekong Entertainment under the Amended and Restated Exclusive Technology Consulting and Service Agreement, and (iii) our Group's right to control the management and operation of, as well as, in substance, all of the voting rights of Linekong Entertainment.

(d) Renewal and reproduction

On the basis that the Contractual Arrangements provide an acceptable framework for the relationship between our Company and its subsidiaries in which our Company has direct shareholding, on one hand, and Linekong Entertainment, on the other hand, that framework may be renewed and/or reproduced upon the expiry of the existing arrangements or in relation to any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group might wish to establish when justified by business expediency, without obtaining the approval of the Shareholders, on substantially the same terms and conditions as the existing Contractual Arrangements. The directors, chief executive or substantial shareholders of any existing or new wholly foreign owned enterprise or operating company (including branch company) engaging in the same business as that of our Group which our Group may establish will, upon renewal and, or reproduction of the Contractual Arrangements, however be treated as connected persons of our Company and transactions between these connected persons and our Company other than those under similar contractual arrangements shall comply with Chapter 20 of the GEM Listing Rules. This condition is subject to relevant PRC laws, regulations and approvals.

(e) Ongoing reporting and approvals

Our Group will disclose details relating to the Contractual Arrangements on an ongoing basis as follows:

- The Contractual Arrangements in place during each financial period will be disclosed in our Company's annual report and accounts in accordance with relevant provisions of the GEM Listing Rules.
- Our independent non-executive Directors will review the Contractual Arrangements annually and confirm in our Company's annual report and accounts for the relevant year that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Contractual Arrangements, have been operated so that the profit generated by Linekong Entertainment has been substantially retained by Beijing Linekong Online, (ii) no dividends or other distributions have been made by Linekong Entertainment to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group, and (iii) any new contracts entered into, renewed or reproduced between our Group and Linekong Entertainment during the relevant financial period under paragraph (d) above are fair and reasonable, or advantageous, so far as our Group is concerned and in the interests of the Shareholders as a whole.
- Our Company's auditor will carry out review procedures annually on the transactions carried out pursuant to the Contractual Arrangements and will provide a letter to our Directors with a copy to the Stock Exchange confirming that the transactions have received the approval of our Directors, have been entered into in accordance with the relevant Contractual Arrangements and that no dividends or other distributions have been made by Linekong Entertainment to the holders of its equity interests which are not otherwise subsequently assigned or transferred to our Group.

CONNECTED TRANSACTIONS

- For the purpose of Chapter 20 of the GEM Listing Rules, and in particular the definition of “connected person”, Linekong Entertainment and each of its subsidiaries will be treated as our Company’s subsidiary, but at the same time, the directors, chief executives or substantial shareholders of Linekong Entertainment, its subsidiaries and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Linekong Entertainment and its subsidiaries), and transactions between these connected persons and our Group (including for this purpose, Linekong Entertainment and its subsidiaries), other than those under the Contractual Arrangements, will be subject to requirements under Chapter 20 of the GEM Listing Rules.
- Linekong Entertainment will undertake that, for so long as the Shares are listed on GEM, Linekong Entertainment will provide our Group’s management and our Company’s auditor full access to its relevant records, and (where applicable) relevant records of its subsidiaries, for the purpose of our Company’s auditor’s review of the connected transactions.

In addition, we have also applied to the Stock Exchange for, and the Stock Exchange has agreed to grant, a waiver pursuant to Rule 20.103 of the GEM Listing Rules from strict compliance with (i) the announcement and independent shareholders’ approval requirements under Chapter 20 of the GEM Listing Rules in respect of the transactions contemplated under any New Intergroup Agreement, (ii) the requirement of setting an annual cap for the fees payable by/to any member of our Group to/from Linekong Entertainment under any New Intergroup Agreement, and (iii) the requirement of limiting the term of any New Intergroup Agreement to three years or less, for so long as Shares are listed on GEM subject however to the condition that the Contractual Arrangements subsist and that Linekong Entertainment and its subsidiaries will continue to be treated as our Company’s subsidiaries, but at the same time, the directors, chief executives or substantial shareholders of Linekong Entertainment, its subsidiaries and their respective associates will be treated as connected persons of our Company (excluding for this purpose, Linekong Entertainment and its subsidiaries), and transactions between these connected persons and our Group (including for this purpose, Linekong Entertainment and its subsidiaries), other than those under the New Intergroup Agreements, will be subject to requirements under Chapter 20 of the GEM Listing Rules.

We will comply with the applicable requirements under the GEM Listing Rules, and will immediately inform the Stock Exchange if there are any changes to these continuing connected transactions.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors have reviewed the relevant documents and information provided by our Group, have participated in the due diligence and discussions with our management and our PRC Legal Advisor and have obtained necessary representations and confirmations from our Company and our Directors.

Based on the above, the Joint Sponsors are of the view that the Contractual Arrangements are fundamental to our Group’s legal structure and business operations, and are commonly adopted by companies in the online game industry in the PRC that are operated and ultimately owned by a foreign holding company. The Joint Sponsors are also of the view that it is justifiable for the Contractual Arrangements to have a term of longer than three years to ensure that (i) the financial and operational policies of Linekong Entertainment and its subsidiaries can be effectively controlled by Beijing Linekong Online, (ii) Beijing Linekong Online can obtain the economic benefits derived from Linekong Entertainment and its subsidiaries and possible leakages of assets and values of Linekong Entertainment and its subsidiaries can be prevented on an uninterrupted basis.

CONNECTED TRANSACTIONS

In addition, the Joint Sponsors are of the view that the non-exempt continuing connected transactions described above, for which waivers have been sought, have been entered into in our ordinary and usual course of business, on normal commercial terms and are fair and reasonable and are in the interests of our Company and the Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS AND SENIOR MANAGEMENT

Our Board currently consists of seven Directors, comprising three executive Directors, one non-executive Director and three independent non-executive Directors. The functions and duties of our Board include convening general meetings implementing the resolutions passed at the general meetings, determining business and investment plans, formulating our annual financial budget and financial statements, and formulating our proposals for dividend distributions as well as exercising other powers, functions and duties as conferred by our Articles of Association. We have entered into service contracts with each of our executive Directors. We have also entered into letters of appointment with each of our non-executive Directors and independent non-executive Directors.

Our senior management is responsible for the day-to-day management and operation of our business.

The following table sets forth certain information in respect of our Directors and senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Roles and Responsibilities in our Group</u>	<u>Relationship with other Directors or senior management</u>
<i>Directors</i>						
Wang Feng (王峰)	45	Chairman of the Board, Chief Executive Officer and Executive Director	May 24, 2007	March 30, 2007	Formulating and implementing the overall strategy as well as products and business plans of our Group	None
Liao Mingxiang (廖明香)	40	President and Executive Director	May 24, 2007	March 30, 2007	Overseeing the distribution of our online games and human resources, legal and business operations of our Group	None
Mao Zhihai (毛智海)	39	Chief Financial Officer, Executive Director, Joint Company Secretary and Compliance Officer	January 27, 2014	January 10, 2014	Overseeing management of finance and investment	None

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Roles and Responsibilities in our Group</u>	<u>Relationship with other Directors or senior management</u>
Qian Zhonghua (錢中華)	49	Non-executive Director	January 27, 2014	January 27, 2014	Overseeing our management and strategic development	None
Ma Ji (馬驥)	37	Independent Non-executive Director	April 24, 2014	April 24, 2014	Supervising and providing independent judgment to our Board	None
Chen Tong (陳彤)	47	Independent Non-executive Director	April 24, 2014	April 24, 2014	Supervising and providing independent judgment to our Board	None
Zhang Xiangdong (張向東)	37	Independent Non-executive Director	April 24, 2014	April 24, 2014	Supervising and providing independent judgment to our Board	None
<i>Senior Management</i>						
Mei Song (梅嵩)	33	Vice President	August 1, 2013	April 9, 2007	Responsible for game development, and operation	None
Zhao Jun (趙軍)	35	Vice President	February 1, 2014	March 30, 2007	Responsible for game development, and operation	None

DIRECTORS AND SENIOR MANAGEMENT

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of appointment</u>	<u>Date of joining our Group</u>	<u>Roles and Responsibilities in our Group</u>	<u>Relationship with other Directors or senior management</u>
Chen Min (陳敏)	36	Co-Chief Technology Officer	February 1, 2013	February 18, 2008	Responsible for research and development of several of our important games as well as safety management of our source code, assessment of our engineers, technical training and new technology promotion	None
Feng Haili (馮海利)	35	Vice President	February 1, 2014	May 10, 2007	Responsible for game licensing business	None
Qi Yunxiao (齊雲霄)	32	Vice President	February 1, 2013	April 10, 2007	Responsible for marketing and promotion of our online games	None
Zhang Hongliang (張宏亮)	30	Co-Chief Technology Officer	February 1, 2013	April 25, 2008	Responsible for research and development of our game engine and server, as well as safety management of our source code, technical training and new technology promotion	None

DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Wang Feng (王峰), age 45, is the Chairman of the Board, Chief Executive Officer and an executive Director. Mr. Wang is the founder of our Group and is primarily responsible for formulating and implementing the overall strategy as well as products and business plans of our Group. He was appointed as a Director on May 24, 2007. Prior to joining our Group, Mr. Wang worked at Beijing Kingsoft Software Co., Ltd. (北京金山軟件有限公司) (“Beijing Kingsoft”), a subsidiary of Kingsoft Corporation Limited (金山軟件有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 3888), in various senior positions successively as product manager, vice president in charge of anti-virus software department, and vice president in charge of digital entertainment business from March 1997 to December 2005, and served as senior vice president in charge of digital entertainment and sales and marketing from January 2006 to March 2007. Mr. Wang has over 16 years of experience in the Internet industry and was awarded several honors, including “Individual Award for Outstanding Contributions to 20 Years of Development in Zhongguancun” granted by Beijing municipal government in 2009, “New Elite in China Game Industry” in 2007 and “the Top-Ten Most Influential People in China Game Industry” granted by GIAC in 2008, 2009 and 2011 by GIAC. Mr. Wang Feng also was awarded “Outstanding Entrepreneur” in both 2011 and 2013 by GTAC. Mr. Wang graduated from Peking University with a master of business administration degree in June 2005.

Ms. Liao Mingxiang (廖明香), age 40, is our President and an executive Director. Ms. Liao serves as a Director of our Group since May 24, 2007. Ms. Liao is primarily responsible for overseeing the distribution of our online games and human resources, legal and business operations of our Group. Ms. Liao has over 14 years of experience in the Internet industry. Prior to joining our Group, Ms. Liao worked at Beijing Kingsoft from August 1999 to March 2007, as the deputy manager of the game operating department, mainly responsible for managing sales and marketing channels in China, regional offices, regional promotional activities and game operations. Ms. Liao was awarded “the Top-Ten Most Influential People in China Game Industry” granted by GIAC in 2012. Ms. Liao received a bachelor’s degree in marketing from Jiangxi Gannan Normal University in July 2005 and a master degree in project management from Changchun University of Technology in April 2014.

Mr. Mao Zhihai (毛智海), age 39, is an executive Director, the Chief Financial Officer, a Joint Company Secretary and the Compliance Officer of our Company. Mr. Mao is primarily responsible for overseeing the management of finance and investment of our Group. He joined our group as the Chief Financial Officer on January 10, 2014 and was appointed as an executive Director on January 27, 2014. Mr. Mao has over 11 years of experience in accounting and corporate finance. Prior to joining our Group, Mr. Mao worked at Deloitte & Touche LLP, USA, in Washington DC from July 2003 to March 2006, and Deloitte & Touche Tohmatsu CPA, Ltd., Beijing Branch, as a senior auditor from August 2006 to December 2007. From January 2008 to October 2010, Mr. Mao served at China TransInfo Technology Corp., a company previously listed on Nasdaq Stock Market (NASDAQ: CTFO) before its privatization in November 2012, as the Chief Financial Officer. From December 2010 to December 2013, Mr. Mao worked for two other investment companies and was mainly responsible for financial and investment related matters. From November 2010 to August 2014, he served as an independent director at China Shengda Packaging Group, Inc., a company listed on Nasdaq Stock Market (NASDAQ: CPGI). Mr. Mao is a U.S. certified public accountant, licensed in the State of Virginia since February 2006. Mr. Mao graduated from University of North Carolina at Chapel Hill with a master degree in accounting in May 2003.

DIRECTORS AND SENIOR MANAGEMENT

Non-executive Director

Mr. Qian Zhonghua (錢中華), age 49, joined the Board as a non-executive Director on January 27, 2014. Mr. Qian has over 20 years of management and investment experience and also has extensive experience in the Internet industry, including the fields of vertical portals, e-commerce, online games, cross-platform applications, convergence of telecommunications, cable and Internet networks and digital publishing. Mr. Qian is currently a managing director of Fosun Equity Investment Management Ltd (“Fosun”). Prior to joining Fosun, Mr. Qian served as the Chief Executive Officer of Ourgame.com from May 2000 to January 2003. Mr. Qian also served as the president for Yanhuangxinxing Group from January 2003 to January 2004 where he was primarily engaged in managing its online game and telecommunication value-added services. From June 2004 to March 2006, Mr. Qian worked at Shanda Interactive Entertainment Limited, a company previously listed on Nasdaq Stock Market (NASDAQ: SNDA) before its privatization in February 2012, as the general manager of its Beijing Branch and mainly focused on the entertainment product management. Mr. Qian was also the member of the Evaluation Committee of Senior Economic (Accounting) Professionals of the Press and Publication Administration from November 2009 to October 2011. Mr. Qian obtained his bachelor’s degree in engineering from Tsinghua University in July 1986 and graduated from Guanghua School of Management of Peking University with a master degree of business administration in June 2005.

Independent Non-executive Directors

Mr. Ma Ji (馬驥), age 37, is an independent non-executive Director. He was appointed to our Board on April 24, 2014. Mr. Ma has over 13 years of experience in accounting and corporate finance. From July 2000 to June 2011, Mr. Ma worked at Deloitte Touche Tohmatsu CPA Ltd., and served as a senior manager before he left. He then served as a vice president at Vancl Corporation from June 2011 to August 2013. Since August 2013 to October 2014, he served as the Chief Financial Officer at Autonavi Holdings Limited, a company previously listed on Nasdaq Stock Market (NASDAQ: AMAP) before it was delisted as a result of a recent acquisition in July 2014 by Alibaba Group Holding Limited (“Alibaba”), a company listed on the New York Stock Exchange (NYSE: BABA). Mr. Ma is a U.S. certified public accountant, licensed in the state of New Hampshire. Mr. Ma is also a member of the Chinese Institute of Certified Public Accountants. Mr. Ma obtained a bachelor’s degree of economics from Peking University in July 2000.

Mr. Chen Tong (陳彤), age 47, is an independent non-executive Director. He was appointed to our Board on April 24, 2014. He has over 16 years of experience in the Internet industry and currently serves as a vice president in Beijing Xiaomi Technology Co., Ltd., in charge of operation and investment since October 23, 2014. Mr. Chen also served various senior positions at Sina Corporation, a company listed on Nasdaq Stock Market (NASDAQ: SINA), since March 1998, including acting as the content director from June 1999 to June 2000, serving as the Executive Deputy General Manager of Sina’s China operations from June 2000 to May 2002 and serving as the chief editor and a vice president since May 2002 and assuming the position as the chief editor and executive vice president since February 2007. Since February 2010, Mr. Chen serves as an independent non-executive Director of Beijing Enlight Media Co., Ltd., a company listed on the Shenzhen Stock Exchange (Stock Code: 300251). Mr. Chen is also an independent non-executive Director at TAL Education Group, a company listed on Nasdaq Stock Market (NASDAQ: XRS) since June 2011 and also a member of its audit committee, nomination and corporate governance committee. Mr. Chen obtained a bachelor of science degree in electronic engineering from Beijing University of Technology in September 1990 and graduated from Beijing Institute of Technology with a master of arts degree in communication and Renmin University of China with a master of arts degree in journalism in March 1998 and June 2004, respectively. Mr. Chen also obtained a master’s degree of business administration from China-Europe International Business School in May 2009.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Zhang Xiangdong (張向東), age 37, is an independent non-executive Director. He was appointed to our Board on April 24, 2014. Mr. Zhang has over 14 years of experience in the Internet industry. In July 2003, Mr. Zhang founded Sungy Mobile Limited, a company listed on Nasdaq Stock Market (Nasdaq : GOMO), and served as a director and its president since 2003 until recently, when Mr. Zhang resigned his positions as a director and president to pursue his entrepreneurial endeavors. Mr. Zhang obtained a bachelor's degree in information management from Peking University in July 1999.

Save as disclosed above, none of our Directors holds any other directorships in any other company listed in Hong Kong or overseas during the three years immediately preceding the date of this prospectus. Please refer to the section headed "Appendix IV — Statutory and General Information" in this prospectus for further information about the Directors, including the particulars of their service contracts and remuneration, and details of the interests of the Directors in the Shares (within the meaning of Part XV of the SFO). Save as disclosed in this prospectus, there are no other matters in respect of each of our directors that are required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules and there are no other material matters relating to our directors that need to be brought to the attention of our shareholders.

SENIOR MANAGEMENT

Mr. Mei Song (梅嵩), age 33, is a Vice President of our Group. Mr. Mei is primarily responsible for game development and operation of our Group. Mr. Mei joined our Group on April 9, 2007 as a manager of our research and development centre, and is mainly responsible for platform development. Since December 2011, he started to serve as the general manager of our mobile games department and is primarily in charge of the development of our mobile games and *Excalibur*. Mr. Mei has over eight years of experience in the Internet and online game industry. Prior to joining our Group, Mr. Mei worked at Beijing Kingsoft as a development engineer responsible for the development of the online games operating platform from March 2006 to April 2007. Mr. Mei received a bachelor's degree in inorganic non-metal material engineering in July 2003 and a master degree in computer software and theory in April 2006 from Harbin University of Science and Technology.

Mr. Zhao Jun (趙軍), age 35, is a Vice President of our Group. Mr. Zhao is primarily responsible for game development and operation of our Group. Mr. Zhao joined us in our platform development team in March 2007. In January 2008, Mr. Zhao served as the major programming engineer of our development project for *Journey to the West* and was promoted to the position of project manager in June 2009 and subsequently to project director in October 2010. Mr. Zhao is also responsible for overseeing the management and licensing of the overseas versions (including Taiwan, Vietnamese and Indonesian versions) of our *Journey to the West*. Since January 2012, Mr. Zhao served as the producer of our *Sword of Heaven*. Mr. Zhao has over eight years of experience in the Internet industry. Prior to joining our Group, Mr. Zhao worked as a software engineer for AsiaInfo Technologies (China) Inc. from August, 2004 to August, 2006 and served as a software engineer at Beijing Kingsoft from September 2006 to March 2007. Mr. Zhao received a bachelor's degree in mechanical and electronic engineering and a master degree in electromagnetic fields and microwave technology from Beijing University of Posts and Telecommunications in July 2002 and April 2005, respectively.

Mr. Chen Min (陳敏), age 36, is our Co-Chief Technology Officer. Mr. Chen is primarily responsible for research and development of several of our important games as well as safety management of our source code, assessment of our engineers, technical training and new technology promotion. Mr. Chen joined our Group on March 1, 2008 as a software engineer during which period Mr. Chen led and oversaw the work of all engineers and the game development and project teams and was promoted as our Co-Chief Technology Officer in February 2013. Mr. Chen has over nine years of experience in the Internet and online game

DIRECTORS AND SENIOR MANAGEMENT

industry. Prior to joining our Group, he worked as a software engineer at Beijing Branch of Chengdu Kingsoft Digital Entertainment Co., Ltd., responsible for developing graphics, image functions and 3D game engines from July 2004 to February 2008. Mr. Chen received a bachelor's degree in medicine in June 2002 and a master's degree in software engineering in June 2004 from Wuhan University.

Mr. Feng Haili (馮海利), age 35, is our Vice President of our Group. Mr. Feng is primarily responsible for our game licensing business. Mr. Feng joined our Group on May 1, 2007 as the head of our sales and distribution department and was mainly responsible for marketing, promotion and business cooperation of our self-developed and licensed products. In May 2011, he started to serve as the Vice President of our games licensing department and is primarily in charge of obtaining licenses and right of use, licensed game testing, products planning and game commercialization. Mr. Feng has over 14 years of experience in the Internet and online game industry. Prior to joining our Group, Mr. Feng worked at Beijing Kingsoft Digital Entertainment Co., Ltd. ("Kingsoft Digital"), a subsidiary of Beijing Kingsoft as a regional manager responsible for the marketing and promotion of Kingsoft's games in Shandong Province, from November 2003 to May 2007. He also worked as a staff in information technology products department for Beijing Everest Electronic Commerce Network Service Co., Ltd, responsible for procurement from December 1999 to December 2001. Mr. Feng graduated in international business from Liaoning University in July 1999.

Ms. Qi Yunxiao (齊雲霄), age 32, is Vice President of our Group. Ms. Qi is primarily responsible for marketing and promotion of our online games. Ms. Qi joined our Group on March 1, 2007 as the head of our advertising department and procurement department, in charge of formulating our advertising strategies and implementing our advertising monitoring system. Ms. Qi was further promoted as our Vice President in charge of our Company's marketing and promotion business in October, 2012. Ms. Qi has over ten years of experience in the Internet industry. Prior to joining our Group, Ms. Qi worked at Kingsoft Digital from May 2003 to April 2007, as sales manager in charge of cooperation with distribution and payment channels. Ms. Qi received an associate degree in administration management from the Open University of China in July 2010.

Mr. Zhang Hongliang (張宏亮), age 30, is our Co-Chief Technology Officer. Mr. Zhang is primarily responsible for research and development of our game engine and server, as well as safety management of our source code, assessment of our engineers, technical training and new technology promotion. Mr. Zhang joined our Group on April 25, 2008 as a programming engineer, and was mainly responsible for designing and developing the server of our online game *Journey to the West*. Since June 2011, he started to serve as the technical director of our research and development department and is primarily in charge of the development and optimization of our mobile game *Sword of Heaven* and was promoted as our Co-Chief Technology Officer in February 2013. Mr. Zhang has over eight years of experience in the Internet and online game industry. Prior to joining our Group, he worked at Tencent Technology (Shenzhen) Co., Ltd., a subsidiary of Tencent Holdings Ltd, a company listed on the Main Board of the Stock Exchange, (Stock Code: 700), from July 2006 to April 2008. Mr. Zhang received a bachelor's degree in software engineering from Sichuan University in July 2006.

COMPANY SECRETARY

Mr. Mao Zhihai (毛智海), age 39, was appointed as our joint company secretary on August 22, 2014 and with effect upon listing. For details of Mr. Mao Zhihai's biography, please see the paragraph headed "Directors" above.

Ms. Lam Wai Yee Sophie (林慧怡), age 39, is another joint company secretary of our Company and was appointed on August 22, 2014 and with effect upon listing. Ms. Lam is currently a vice president of

DIRECTORS AND SENIOR MANAGEMENT

SW Corporate Services Group Limited. She has over 10 years of professional experience in handling corporate secretarial and compliance matters for listed companies in Hong Kong. Ms. Lam was previously a company secretary of Tidetime Sun (Group) Limited (now known as UP Energy Development Group Limited), a company listed on the Main Board of the Stock Exchange (Stock Code: 307), and an assistant company secretary of Haier Electronics Group Co., Ltd., a company listed on the Main Board of the Stock Exchange (Stock Code: 1169). Ms. Lam obtained a bachelor's degree in translation and a postgraduate diploma in corporate administration from City University of Hong Kong in November 1997 and November 2000, respectively. She is also a fellow member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

BOARD COMMITTEES

Audit Committee

The Company established an audit committee with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The audit committee consists of three members, namely Mr. Ma Ji, Mr. Chen Tong and Mr. Zhang Xiangdong, all being our independent non-executive Directors. Mr. Ma Ji has been appointed as the chairman of the audit committee, and is our independent non-executive Director possessing the appropriate professional qualifications. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control system of the Group, oversee the audit process and perform other duties and responsibilities as assigned by our Board.

Remuneration Committee

The Company established a remuneration committee with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The remuneration committee has five members, namely Mr. Zhang Xiangdong, Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Ma Ji, and Mr. Chen Tong. Mr. Zhang Xiangdong, our independent non-executive Director, has been appointed as the chairman of the remuneration committee. The primary duties of the remuneration committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

Nomination Committee

The Company established a nomination committee with written terms of reference in compliance with the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The nomination committee consists of five members, namely Mr. Wang Feng, Mr. Qian Zhonghua, Mr. Ma Ji, Mr. Zhang Xiangdong and Mr. Chen Tong. Mr. Wang Feng has been appointed as the chairman of the Nomination Committee. The primary duties of the nomination committee are to make recommendations to our Board on the appointment and removal of Directors of our Company.

CODE PROVISION A.2.1 OF THE CORPORATE GOVERNANCE CODE

Mr. Wang is our Chairman and Chief Executive Officer. With extensive experience in the Internet industry, Mr. Wang is responsible for the overall strategic planning and general management of our Group and is instrumental to our growth and business expansion since our establishment in 2007. Our Board considers that vesting the roles of chairman and chief executive officer in the same person is beneficial to the management of our Group. The balance of power and authority is ensured by the

DIRECTORS AND SENIOR MANAGEMENT

operation of the senior management and our Board, which comprises experienced and high-caliber individuals. Our Board currently comprises three executive Directors (including Mr. Wang), one non-executive Director and three independent non-executive Directors and therefore has a fairly strong independence element in its composition.

Save as disclosed above, we are in compliance with all code provisions of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

WAIVER GRANTED BY THE STOCK EXCHANGE

Qualification of one of our Joint Company Secretaries

We have applied to the Stock Exchange for, and the Stock Exchange has granted, a waiver under and in respect of Rule 5.14 and Rule 11.07(2) of the GEM Listing Rules in relation to the requirement on the qualifications of one of our joint company secretaries, Mr. Mao Zhihai. For details of the waiver, please see the section headed “Waivers from Compliance with the GEM Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Waiver in relation to our Joint Company Secretary”.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our Directors and senior management receive compensation from our Company in the form of fees, salaries, bonuses contributions to pension schemes, benefits in kind and share-based compensation.

The aggregate amount of remuneration our Directors have received (including fees, salaries, contributions to pension schemes, discretionary bonuses, benefits in kind and share-based compensation) for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014 was approximately RMB12.7 million, RMB50.5 million and RMB19.8 million, respectively.

The aggregate amount of fees, salaries, contributions to pension schemes, discretionary bonuses, housing benefits in kind and share-based compensation paid to our five highest paid individuals of our Company, including Directors, during each of the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014, was approximately RMB14.2 million, RMB63.6 million and RMB36.6 million, respectively.

Under the arrangements currently in force, the aggregate amount of remuneration, excluding discretionary bonuses and share-based compensation, paid and payable to our Directors for the year ending December 31, 2014 is estimated to be approximately RMB3.3 million.

No remuneration was paid by us to our Directors or the five highest paid individuals as an inducement to join or upon joining us or as a compensation for loss of office in respect of the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014. Further, none of our Directors had waived any remuneration during the same period.

Save as disclosed above, no other payments have been made or are payable in respect of each of the two years ended December 31, 2012 and 2013 and the six months ended June 30, 2014 by the Group to the Directors.

Our Board will review and determine the remuneration and compensation packages of our Directors and senior management which, following the Listing, will receive recommendation from the Remuneration Committee which will take into account salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of our Group.

DIRECTORS AND SENIOR MANAGEMENT

COMPLIANCE ADVISOR

We have appointed REORIENT Financial Markets Limited as our compliance advisor (the “Compliance Advisor”) upon listing of our Shares on the Stock Exchange in compliance with Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the Compliance Advisor will provide advice to us when consulted by us in the following circumstances:

- (i) before the publication of any regulatory announcement, circular or financial report;
- (ii) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (iii) where we propose to use the proceeds of the Global Offering in a manner different from that detailed in this prospectus or where its business activities, developments or results deviate from any forecast, estimate, or other information in this prospectus; and
- (iv) where the Stock Exchange makes an inquiry of our Company regarding unusual movements in the price or trading volume of the Shares of our Company.

The term of the appointment shall commence on the Listing Date and end on the date on which our Company distributes its annual report in respect of its financial results for the second full financial year commencing after the Listing Date and this appointment may be subject to extension by mutual agreement.

RSU SCHEME

In order to assist us in attracting, retaining and motivating our key employees, we have adopted a RSU Scheme, pursuant to which we may grant RSUs to eligible directors, officers, consultants, advisors, and employees of, and any person who provides or has provided consultancy or other advisory services to, our Group. The principal terms of the RSU Scheme is summarized in the section headed “Appendix IV — Statutory and General Information — Share Incentive Schemes — RSU Scheme” in this prospectus.

SHARE OPTION SCHEME

We have also conditionally adopted the Share Option Scheme. A summary of the principal terms of the Share Option Scheme is set out in the section headed “Appendix IV — Statutory and General Information — Share Incentive Schemes — Share Option Scheme” in this prospectus.

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately prior to and following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), the following persons will have an interest or a short position in Shares or underlying Shares of our Company which will be required to be disclosed to our Company and the Stock Exchange pursuant to the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries:

Name of shareholder	Nature of interest	Shares held as of the date of this prospectus		Immediately following the completion of the Global Offering	
		Number of Shares or securities held	Approximate percentage of interest in our Company	Number of Shares or securities held	Approximate percentage of interest in our Company ⁽²⁾
Mr. Wang Feng ⁽³⁾	Interest of controlled corporation	66,576,160	25.35%	66,576,160	20.28%
	Beneficial owner	8,432,308		8,432,308	
Wangfeng Management Limited ⁽³⁾	Beneficial owner	66,576,160	22.50%	66,576,160	18.00%
Zhu Li ⁽⁴⁾	Interest of spouse	75,008,468	25.35%	75,008,468	20.28%
Ms. Liao Mingxiang ⁽⁵⁾	Interest of controlled corporation	12,168,720	5.06%	12,168,720	4.05%
	Beneficial owner	2,810,769		2,810,769	
Liaomingxiang Holdings Limited ⁽⁵⁾	Beneficial owner	12,168,720	4.11%	12,168,720	3.29%
Zhu Chunhua ⁽⁶⁾	Interest of spouse	14,979,489	5.06%	14,979,489	4.05%
IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. ⁽⁷⁾	Beneficial owner	37,185,440	12.57%	14,995,000	4.05%
Northern Light Venture Capital II, Ltd. ⁽⁸⁾	Beneficial owner	18,052,560	6.10%	8,806,500	2.38%
Starwish Global Limited ⁽⁹⁾	Beneficial owner	52,318,760	17.68%	52,318,760	14.15%
Baidu Holdings Limited ⁽¹⁰⁾	Beneficial owner	14,793,523	5.00%	14,793,523	4.00%

SUBSTANTIAL SHAREHOLDERS

Name of shareholder	Nature of interest	Shares held as of the date of this prospectus		Immediately following the completion of the Global Offering	
		Number of Shares or securities held	Approximate percentage of interest in our Company	Number of Shares or securities held	Approximate percentage of interest in our Company ⁽²⁾
The Core Trust Company Limited ⁽¹¹⁾	Trustee of a trust	42,161,541	14.25%	42,161,541	11.40%
Premier Selection Limited ⁽¹¹⁾	Nominee for another person	42,161,541	14.25%	42,161,541	11.40%

Notes:

- (1) All interests stated are long positions.
- (2) The calculation is based on the total number of 369,838,464 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options may be granted under the Share Option Scheme).
- (3) Mr. Wang Feng holds the entire issued share capital of Wangfeng Management Limited, which in turn directly holds 66,576,160 Shares. Accordingly, Mr. Wang Feng is deemed to be interested in the 66,576,160 Shares held by Wangfeng Management Limited. In addition, Mr. Wang Feng is interested in 8,432,308 RSUs granted to him under the RSU Scheme entitling him to receive 8,432,308 Shares subject to vesting.
- (4) Ms. Zhu Li is wife of Mr. Wang Feng and is deemed to be interested in the Shares which are interested by Mr. Wang Feng under the SFO.
- (5) Ms. Liao Mingxiang holds the entire issued share capital of Liaomingxiang Holdings Limited, which in turn directly holds 12,168,720 Shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in the 12,168,720 Shares held by Liaomingxiang Holdings Limited. In addition, Ms. Liao Mingxiang is interested in 2,810,769 RSUs granted to her under the RSU Scheme entitling her to receive 2,810,769 Shares subject to vesting.
- (6) Mr. Zhu Chunhua is husband of Ms. Liao Mingxiang and is deemed to be interested in the Shares which are interested by Ms. Liao Mingxiang under the SFO.
- (7) Assuming the Series A Preferred Shares are converted into Shares of our Company on a one-for-one basis and that the Over-allotment Option is not exercised, each of IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. shall hold 11,556,500 Shares, 2,361,500 Shares and 1,077,000 Shares, representing approximately 3.12%, 0.64% and 0.29% of the total issued share capital of the Company, respectively, upon Listing. The controlling structure of each of the above partnership is as follows: (i) IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. are controlled by their sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35.00% by each of Zhou Quan and Ho Chi Sing; and (ii) IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100.00% by Ho Chi Sing.
- (8) Assuming the Series B Preferred Shares are converted into Shares of our Company on a one-for-one basis and that the Over-allotment Option is not exercised, Northern Light Venture Capital II, Ltd. shall hold 8,806,500 Shares, representing approximately 2.38% of the total issued share capital of the Company upon Listing. The beneficial owners of the Shares held by Northern Light Venture Capital II, Ltd. are Northern Light Venture

SUBSTANTIAL SHAREHOLDERS

Fund II, L.P., Northern Light Strategic Fund II, L.P. and Northern Light Partners Fund II, L.P (collectively, the “Northern Light Funds”). Northern Light Partners II, L.P., the general partner of each of the Northern Light Funds, and Northern Light Venture Capital II, Ltd., the general partner of Northern Light Partners II, L.P., may each be deemed to have sole voting and dispositive power over the shares held by the Northern Light Funds. Feng Deng, Jeffrey D. Lee and Yan Ke are the directors of Northern Light Venture Capital II, Ltd. and may be deemed to share voting and dispositive power over the shares held by the Northern Light Funds. Such persons and entities disclaim beneficial ownership of shares held by the Northern Light Funds, except to the extent of any pecuniary interest therein.

- (9) Assuming the Preferred Shares are converted into Shares of our Company on a one-for-one basis, Starwish Global Limited shall hold 52,318,760 Shares, representing approximately 14.15% of the total issued share capital of the Company upon Listing. Starwish Global Limited is wholly-owned by China Momentum Fund, L.P., an exempted limited partnership in Cayman Islands. Fosun China Momentum Fund GP, Ltd. is the general partner of China Momentum Fund, L.P.. Fosun China Momentum Fund GP, Ltd. is in turn indirectly wholly-owned by Fosun International Limited, a company listed on the Main Board of the Stock Exchange (Stock Code: 00656).
- (10) Assuming the Series D Preferred Shares are converted into Shares of our Company on a one-for-one basis, Baidu Holdings Limited shall hold 14,793,523 Shares, representing 4.00% of the total issued share capital of the Company upon Listing.
- (11) The Core Trust Company Limited, being the RSU Trustee, directly holds the entire issued share capital of the RSU Nominee, Premier Selection Limited, which holds 42,161,541 underlying Shares in respect of the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme. The 42,161,541 underlying Shares in respect of the RSUs held by the RSU Nominee includes a total of 11,243,077 underlying Shares in respect of (i) the 8,432,308 RSUs granted to Mr. Wang Feng (see note (3) above) and (ii) the 2,810,769 RSUs granted to Ms. Liao Mingxiang (see note (5) above).

Other than as disclosed above, the substantial shareholders are not related to one another.

Save as disclosed above, our Directors are not aware of any person who will, immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised and without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme), have an interest or a short position in the Shares or underlying Shares which will be required to be disclosed to our Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or will be, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any of our subsidiaries.

SHARE CAPITAL

AUTHORIZED AND ISSUED SHARE CAPITAL

The following is a description of the authorized share capital of our Company as of the Latest Practicable Date and the issued share capital of our Company in issue and to be issued as fully paid or credited as fully paid immediately following the completion of the Global Offering:

		US\$	Approximate percentage to total share capital
<i>Authorized share capital as of the Latest Practicable Date:</i>			
1,846,735,477	Shares of US\$0.000025 each	46,168.39	92.34%
<u>153,264,523</u>	Preferred Shares of US\$0.000025 each	<u>3,831.61</u>	<u>7.66%</u>
<u>2,000,000,000</u>	Shares of US\$0.000025 each	<u>50,000.00</u>	<u>100.00%</u>
<i>Authorized share capital upon completion of the Global Offering:</i>			
2,000,000,000	Shares of US\$0.000025 each	<u>50,000.00</u>	<u>100.00%</u>
<i>Issued and to be issued, fully paid or credited as fully paid upon completion of the Global Offering:</i>			
142,605,941	Shares in issue as of the date of this prospectus	3,565.15	36.15%
153,264,523	Shares to be issued upon conversion of all Preferred Shares on a one-for-one basis	3,831.61	38.85%
<u>73,968,000</u>	Shares to be issued pursuant to the Global Offering	<u>1,849.20</u>	<u>20.00%</u>
<u>369,838,464</u>	Total	<u>9,862.36</u>	<u>100.00%</u>

ASSUMPTIONS

The above tables assume that the Global Offering becomes unconditional and the Shares are issued pursuant to the Global Offering. The above does not take into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares which may be issued or repurchased by our Company pursuant to the general mandates granted to our Directors to issue or repurchase Shares as described below.

RANKINGS

The Offer Shares will be ordinary shares in the share capital of our Company and will rank equally in all respects with all Shares in issue or to be issued as mentioned in this prospectus and, in particular, will rank in full for all dividends or other distributions declared, made or paid on the Shares in respect of a record date which falls after the date of this prospectus.

SHARE INCENTIVE SCHEMES

We have adopted the RSU Scheme and conditionally adopted the Share Option Scheme. Under the RSU Scheme, certain persons were granted RSUs prior to the Listing Date. The principal terms of the RSU Scheme and the Share Option Scheme are summarized in the sections headed “Statutory and General Information — Share Incentive Schemes” in Appendix IV to this prospectus.

SHARE CAPITAL

GENERAL MANDATE TO ISSUE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering” in this prospectus, our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to:

- (a) a rights issue;
- (b) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our Articles;
- (c) a specific authority granted by the Shareholders in general meeting,
shall not exceed the aggregate of:
 - (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme); and
 - (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in the section headed “— General Mandate to Repurchase Shares” below.

This general mandate to issue Shares will expire:

- (1) at the conclusion of our next annual general meeting; or
- (2) at the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (3) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information — A. Further Information About our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on November 20, 2014” in Appendix IV to this prospectus.

GENERAL MANDATE TO REPURCHASE SHARES

Subject to the conditions stated in the section headed “Structure of the Global Offering — Conditions of the Hong Kong Public Offering”, our Directors have been granted a general unconditional mandate to exercise all the powers of our Company to repurchase Shares with a total nominal value of not more than 10% of the total nominal value of our share capital in issue immediately following the completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme).

This general mandate relates only to repurchases made on the Stock Exchange, or on any other stock exchange on which the Shares are listed (and which is recognized by the SFC and the Stock Exchange for this purpose), and made in accordance with all applicable laws and the requirements of the

SHARE CAPITAL

GEM Listing Rules. A summary of the relevant GEM Listing Rules is set out in the section headed “Statutory and General Information — A. Further Information About our Group — 6. Repurchases of Our Own Securities” in Appendix IV to this prospectus.

This general mandate to repurchase Shares will expire:

- (i) at the conclusion of our next annual general meeting; or
- (ii) at the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) when varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

For further details of this general mandate, please see the section headed “Statutory and General Information — A. Further Information About our Group — 3. Resolutions in Writing of the Shareholders of Our Company Passed on November 20, 2014” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Upon completion of the Global Offering, our Company will have only one class of Shares, namely ordinary shares, each of which ranks *pari passu* with the other Shares.

Pursuant to the Cayman Companies Law and the terms of our Memorandum and the Articles, our Company may from time to time by ordinary shareholders’ resolution (i) increase its capital; (ii) consolidate and divide its capital into Shares of larger amount; (iii) divide its Shares into classes; (iv) subdivide its Shares into Shares of smaller amount; and (v) cancel any Shares which have not been taken or agreed to be taken. In addition, our Company may reduce its share capital by shareholders’ special resolution. For more details, please see the section headed “Summary of the Constitution of our Company and Cayman Islands Company Law — Articles of Association — Alteration of capital” in Appendix III to this prospectus.

Pursuant to the Cayman Companies Law and the terms of the Memorandum and the Articles, if at any time the share capital of our Company is divided into different classes of shares, all or any of the special rights attached to any class of shares may be varied, modified or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class. For more details, please see “Summary of the Constitution of our Company and Cayman Islands Company Law — Articles of Association — Variation of rights of existing shares or classes of shares” in Appendix III to this prospectus.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with three investors (the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to subscribe at the Offer Price for such number of Offer Shares as may be purchased with an aggregate amount of US\$55 million (rounded down to the nearest whole board lot of 500 Shares).

Assuming an Offer Price of HK\$9.80 (being the low-end of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 43,521,500 Shares, representing approximately 11.77% of the Shares in issue upon the completion of the Global Offering.

Assuming an Offer Price of HK\$11.45 (being the mid-point of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 37,249,500 Shares, representing approximately 10.07% of the Shares in issue upon the completion of the Global Offering.

Assuming an Offer Price of HK\$13.10 (being the high-end of the Offer Price range stated in this prospectus), the total number of Shares to be subscribed for by the Cornerstone Investors would be 32,558,000 Shares, representing approximately 8.80% of the Shares in issue upon the completion of the Global Offering.

To the best knowledge of our Company, each of the Cornerstone Investors is independent from our Company. The Cornerstone Investors will acquire the Offer Shares pursuant to, and as part of, the International Offering. The Offer Shares to be subscribed for by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid Offer Shares in issue and will be counted towards the public float of our Company. The Cornerstone Investors will not subscribe for any Offer Shares under the Global Offering (other than and pursuant to the respective cornerstone investment agreements). Immediately following the completion of the Global Offering, the Cornerstone Investors will not have any board representation in our Company, nor will the Cornerstone Investors become a substantial shareholder of our Company (as defined under the GEM Listing Rules).

The Offer Shares to be subscribed for by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering described in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by our Company on or around December 18, 2014.

CORNERSTONE INVESTORS

Our Cornerstone Investors are set out below:

ABG II-LineK Limited

ABG II-LineK Limited is a company incorporated in the British Virgin Islands on October 6, 2014. It was established as a special purpose vehicle whose principal business activities include equity investments in the technology, media and telecommunication sectors. ABG II-LineK Limited is wholly-owned by Ally Bridge Group Capital Partners II, L.P. (“**ABG**”), an exempted limited partnership that is registered in the Cayman Islands on May 20, 2014.

CORNERSTONE INVESTORS

ABG, with operations in Hong Kong and the United States of America, is a global investment group which invests in healthcare and internet companies. ABG was founded and is led by Yu Fan Frank (于凡), who is also the founder and chief executive officer of Themes Investment Partners II, L.P., a China-focused private equity fund. ABG specializes in investing in leading platforms and assisting these platforms with cross-border strategic partnerships. ABG's internet investing operations are led by Dan Chen (陳丹華) who has worked on a number of corporate finance transactions relating to internet companies based in China. ABG II-LineK Limited has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with the Hong Kong dollars equivalent of US\$15 million (calculated at the exchange rate of HK\$7.7548 to US\$1.00, being the noon buying rate as set forth in the H.10 statistical release of the Federal Reserve Board on November 28, 2014) (the "Noon Buying Rate") at the Offer Price. In case where there is any reallocation of Shares from the International Offering to the Hong Kong Public Offering, the Company and the Joint Global Coordinators have the absolute discretion to reduce the number of Offer Shares which may be subscribed for by ABG II-LineK Limited to enable the Company to comply with the clawback mechanism set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Assuming an Offer Price of HK\$11.45 being the mid-point of the Offer Price range set forth in this prospectus, ABG II-LineK Limited will subscribe for approximately 10,159,000 Offer Shares, representing approximately 2.75% of the Shares in issue upon the completion of the Global Offering.

Fubon Life Insurance Co., Ltd.

Fubon Life Insurance Co., Ltd. is a company incorporated in Taiwan, which is wholly-owned and controlled by Fubon Financial Holdings Co., Ltd.. Its principal activities include investment, asset management and life insurance products.

Fubon Life Insurance Co., Ltd. has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with the Hong Kong dollars equivalent of US\$30 million (calculated at the Noon Buying Rate) at the Offer Price. In case where there is any reallocation of Shares from the International Offering to the Hong Kong Public Offering, the Company and the Joint Global Coordinators have the absolute discretion to reduce the number of Offer Shares which may be subscribed for by Fubon Life Insurance Co., Ltd. to enable the Company to comply with the clawback mechanism set out in the section headed "Structure of the Global Offering — The Hong Kong Public Offering — Reallocation" in this prospectus. Assuming an Offer Price of HK\$11.45 being the mid-point of the Offer Price range set forth in this prospectus, Fubon Life Insurance Co., Ltd. will subscribe for approximately 20,318,000 Offer Shares, representing approximately 5.49% of the Shares in issue upon the completion of the Global Offering.

Greenland Financial Overseas Investment Group Co., Ltd.

Greenland Financial Overseas Investment Group Co., Ltd. was incorporated in the British Virgin Islands in 2014 and is a direct wholly owned subsidiary of Greenland Financial Holdings Group Co., Ltd. and an indirect wholly owned subsidiary of Greenland Holding Group Company Limited ("**Greenland Group**"). Greenland Group is a leading group company in China with a focus on real estate business. In addition to real estate, Greenland Group has a diverse portfolio of businesses in energy, finance and other relevant businesses. Greenland Group was ranked No. 268 among "Fortune Global 500" in 2014.

CORNERSTONE INVESTORS

Greenland Financial Overseas Investment Group Co., Ltd. has agreed to subscribe for such number of Offer Shares (rounded down to the nearest whole board lot of 500 Shares) which may be purchased with the Hong Kong dollars equivalent of US\$10 million (calculated at the Noon Buying Rate) at the Offer Price. In case where there is any reallocation of Shares from the International Offering to the Hong Kong Public Offering, the Company and the Joint Global Coordinators have the absolute discretion to reduce the number of Offer Shares which may be subscribed for by Greenland Financial Overseas Investment Group Co., Ltd. to enable the Company to comply with the clawback mechanism set out in the section headed “Structure of the Global Offering — The Hong Kong Public Offering — Reallocation” in this prospectus. Assuming an Offer Price of HK\$11.45 being the mid-point of the Offer Price range set forth in this prospectus, Greenland Financial Overseas Investment Group Co., Ltd. will subscribe for approximately 6,772,500 Offer Shares, representing approximately 1.83% of the Shares in issue upon the completion of the Global Offering.

Conditions Precedent and Termination

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Hong Kong Underwriting Agreement and the International Underwriting Agreement being entered into and having become unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in those underwriting agreements or as subsequently waived or varied by agreement of the parties thereto;
- (b) neither the Hong Kong Underwriting Agreement nor the International Underwriting Agreement having been terminated;
- (c) the Listing Division of the Stock Exchange having granted the listing of, and permission to deal in, the Shares and such approval or permission not having been revoked prior to the commencement of dealings in the Shares on GEM;
- (d) no laws shall have been enacted or promulgated by any governmental authority which prohibit the consummation of the transactions contemplated in the Hong Kong Public Offering, the International Offering or the cornerstone investment and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the representations, warranties and confirmations of the Cornerstone Investors and the Company in the cornerstone investment agreement being true in all material respects and not misleading and that there is no material breach of the agreement by the respective Cornerstone Investor.

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Restrictions on the Cornerstone Investors' Investment

Each of the Cornerstone Investors has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months following the Listing Date, dispose of (as defined in the respective cornerstone investment agreements) any of its legal or beneficial interest in the Shares subscribed for by it pursuant to the relevant cornerstone investment agreements, any securities convertible into or exercisable or exchangeable for the Shares or that represent any rights to receive such Share, or any interest in any company or entity holding any of such Shares, other than transfers to any wholly-owned subsidiary of such Cornerstone Investor provided that such wholly-owned subsidiary undertakes in writing to, and such Cornerstone Investor undertakes to procure that such wholly-owned subsidiary will, abide by the obligations and restrictions imposed on such Cornerstone Investor under the relevant cornerstone investment agreement.

FINANCIAL INFORMATION

You should read the following discussion and analysis with our audited consolidated financial information, including the notes thereto, included in the Accountant's Report set out in Appendix I to this prospectus. The Accountant's Report has been prepared in accordance with IFRS, which may differ in material aspects from generally accepted accounting principles in other jurisdictions.

Information presented in this section, in particular, in respect of the sections headed "Liquidity and Capital Resources — Net Current Liabilities/Assets" and "Indebtedness", that are not extracted or derived from the Accountant's Report have been extracted or derived from unaudited management accounts as of and for the ten months ended October 31, 2014 (which are not included in this prospectus) or from other records.

The following discussion and analysis and other parts of this prospectus contain forward-looking statements that reflect our current views with respect to future events and financial performance that involve risks and uncertainties. These statements are based on assumptions and analysis made by us in light of our experience and perception of historical events, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. In evaluating our business, you should carefully consider the information provided in the section headed "Risk Factors" in this prospectus.

For the purpose of this section, unless the context otherwise requires, references to 2012 and 2013 refer to our financial year ended December 31 of such years. Unless the context otherwise requires, financial information described in this section is described on a consolidated basis.

OVERVIEW

We have been a reputable online game company and became a leading mobile game developer and publisher in China in recent years. As of the Latest Practicable Date, we had commercialized 17 online games, including ten self-developed games and seven licensed games. Among these games, five are mobile games, four are webgames, seven are client-based games and one has both client-based version and web version.

All of our games are free to play. We generate revenues primarily from selling virtual items that enhance game players' in-game experience, such as enhancing the powers, abilities, attractiveness and social interaction of their characters in games, or enabling them to advance in the games more conveniently. Our players purchase virtual credits with real money and then exchange virtual credits for various virtual items we offer in our games.

When we publish our games ourselves, we assume the primary responsibilities in rendering services to paying players of our games and recognize revenue from sales of in-game virtual items to paying players when services represented by such virtual items are provided to the respective paying players. We pay service charges and fees to various third parties including, among others, developers of our licensed games, distribution channels and payment collection channels. Our major distribution channels include our own distribution channel (8864.com), third-party online application stores, mobile game portals and mainstream webgame portals.

When we license our games to third-party licensees in overseas markets, we do not assume the primary responsibilities in rendering services to paying players and generate revenue from licensing fee and technical service fee paid by such licensees of our games.

Our business experienced rapid growth during the Track Record Period. Average DAUs of our games increased by 21.8% from 443.1 thousand in 2012 to 539.7 thousand in 2013 and further increased

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by 47.0% to 793.6 thousand in the ten months ended October 31, 2014. Since we expanded into mobile games in late 2012, average DAUs of our mobile games increased sharply from 0.5 thousand in 2012 to 212.8 thousand in 2013 and further increased by 199.2% to 636.7 thousand in the ten months ended October 31, 2014. Average MAUs of our games slightly decreased from 3.6 million in 2012 to 3.4 million in 2013 but increased by 47.1% to 5.0 million in the ten months ended October 31, 2014. Average MAUs of our mobile games increased sharply from 6.6 thousand in 2012 to 1.5 million in 2013 and further increased by 200.0% to 4.5 million in the ten months ended October 31, 2014.

Our revenue increased rapidly during the Track Record Period. Our revenue increased by 93.9% from RMB265.6 million in 2012 to RMB515.0 million in 2013, and increased by 53.2% from RMB236.8 million for the six months ended June 30, 2013 to RMB362.8 million for the same period in 2014. In conformity with IFRS, the service charges by distribution channels are recorded as cost of revenue. If service charges by distribution channels were to be deducted from our revenue for the relevant periods, the resulting figures would be RMB181.4 million and RMB342.0 million in 2012 and 2013, respectively, and RMB158.2 million and RMB237.9 million for the six months ended June 30, 2013 and 2014, respectively. We incurred loss of RMB123.0 million and RMB399.4 million in 2012 and 2013, respectively, and RMB92.8 million and RMB78.9 million in the six months ended June 30, 2013 and 2014, respectively. We had non-IFRS adjusted profit of RMB20.9 million and RMB84.3 million in 2012 and 2013, respectively, and RMB40.7 million and RMB92.4 million in the six months ended June 30, 2013 and 2014, respectively. Our non-IFRS adjusted EBITDA was RMB31.5 million and RMB108.5 million in 2012 and 2013, respectively, and RMB56.4 million and RMB100.7 million in the six months ended June 30, 2013 and 2014, respectively. For reconciliation of the non-IFRS measures to IFRS loss for the year/period, please see “— Non-IFRS Measures”.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to continue to be, affected by a number of factors, which primarily include the following:

Development of Online Games Industry

The online game industry is highly competitive and has grown rapidly in China and other countries and regions in recent years, driven primarily by technology advancement and rising penetration of smartphones and other mobile devices and high-speed wireless Internet connection. To continue our success in this industry, we must anticipate and respond to changes in the competitive landscape and effectively respond to changing player interests and preferences. Although we expect player demand for online games to continue to grow rapidly, changes in market conditions, player preferences or the Internet and mobile technologies may render it more difficult to compete with other industry players in various geographic markets. In addition, an increasing number of online games available in the market and existing and emerging online game developers and operators have presented significant pressure on our game development and marketing and selling efforts, which may increasingly affect our results of operations.

Changes in Our Game Portfolio

We have developed and published online games of different forms, types, genres, themes and styles in our history. In line with the general trend of the online game industry in China, we started with developing and publishing client-based games in 2007, expanded into webgames in 2011 and evolved our focus to mobile games in late 2012. While these three forms of online games share many commonalities, there are differences in terms of development cycle and costs, lifespan, user base, ARPPU, distribution

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and marketing channels, and therefore, the forms of games in operation and under development by us in a period would impact our revenue, cost of revenue and operating expenses for such period. In addition, some of our games have been more successful than others in our history due to, among others, differences in their genres, themes and styles. While we endeavor to identify the most popular genre, theme and style for each of our games, our games had not been, and are not expected to be, equally successful. The successfulness of our games in operation during a period will significantly affect our revenue for such period. Finally, while we currently focus on mobile games and games that generally fall under the midcore and hardcore category, we may decide to expand into console games and games of a more casual nature in the future which may affect our financial performance.

Expansion of Our Player Base

The size of our player base reflects the popularity of our games and the basis for a sustainable growth. We measure our player base primarily by average DAUs and average MAUs. The average DAUs and average MAUs for our mobile games increased significantly during the Track Record Period as the result of our commercialization of three mobile games during such period and the engaging nature of our mobile games, the superior game experience we offer to our players and our marketing and distribution efforts. On the other hand, the average DAUs and average MAUs of our client-based games and webgames decreased from 2013 to the ten months ended October 31, 2014 as we shifted our focus to mobile games. All of our games are offered on a free-to-play basis, which enables us to quickly establish a sizable registered and active player base, opening up access to a pool of potential players to purchase our virtual items. Our future growth will largely depend on whether we are able to retain our existing players, attract new players and increase the size of player base.

Ability to Offer High Quality Online Games

Our ability to further expand our player base depends on our ability to develop and offer new games that are interesting and compelling to play. During the Track Record Period, we had different games contributing a majority of our revenue in different period. In 2012 and 2013 and the six months ended June 30, 2013 and 2014, our top five highest revenue-generating games generated 86.5%, 91.9%, 91.8% and 94.5% of our total revenue, respectively, and such games differed from period to period. As such, we rely on our ability to develop and/or publish more new high quality games in future periods in order to maintain and increase our revenue. The success of our new games depends on many factors beyond our control, such as trends in the online game industry and game player preferences. We believe that our ability to develop and launch new and high quality games will have a long-term impact on our sustainable growth and profitability.

Monetization of Our Player Base

All of our games are free to play and we generate most of our revenue from the sales of in-game virtual items that enhance players' in-game experience. Our results of operation depend significantly on our ability to monetize our player base, i.e. to convert more players into paying players and increase their average spending in our games. We experienced fluctuations in average monthly ARPPU of our games during the Track Record Period. To enhance our game monetization, we will continue to increase the number of paying players of our games and maintain a healthy growth in the ARPPU of our games by improving the quality of our games, introducing new quality games, new game features and virtual items and launching additional in-game promotions and other activities. The effectiveness of these measures will have significant impact on our revenue.

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Relationships with Our Business Partners

We cooperate with various third parties including, among others, developers of our licensed games, distribution channels, payment collection channels and overseas publishers, to conduct our business in China and overseas markets and pay service charges or fees to these third parties. Our ability to expand our game portfolio and to more effectively market and distribute our games in China and overseas markets significantly depends on our ability to expand and deepen our relationships with these third parties, and the quality of their products and services would significantly impact the performance of our games and our revenue. Due to changes in the competitive landscape and dynamics among different participants in the online game industry, the relative bargaining power of these third parties and us changes from time to time, and as a result, the economic arrangements between these third parties and us would change accordingly. If we are able to obtain more favorable terms from these third parties, our revenue may increase and our cost of revenue and operating expenses may decrease, and on the other hand, if we have to agree to more unfavorable terms with these third parties, our revenue may decrease and our cost of revenue and operating expenses may increase accordingly.

BASIS OF PRESENTATION

Our corporate existence started with the establishment of Linekong Entertainment in March 2007. In order to allow the Series A Investors to invest in us, our Company established Beijing Linekong Online as a wholly owned subsidiary in the PRC and caused it to enter into the Contractual Arrangements with Linekong Entertainment and all of its shareholders in April 2008 as a result of which Beijing Linekong Online acquired effective control over the financial and operational policies of Linekong Entertainment (the “2008 Reorganization”). We have been primarily engaged in developing and publishing online games (the “Listing Business”) in our history. Immediately prior to and after the 2008 Reorganization, the Listing Business was carried out by Linekong Entertainment and several domestic operating companies that are subsidiaries of Linekong Entertainment (the “PRC Operating Entities”), all of which were under the control of the Founders. Both the PRC Operating Entities and the Listing Business are under the effective control of Beijing Linekong Online, and ultimately our Company, through the Contractual Arrangements during the Track Record Period. Accordingly, the financial information of our Group has been prepared on a consolidated basis and is presented using the carrying value of the Listing Business for all periods presented.

Intercompany transactions, balances and unrealized gains/losses on transactions between companies of our Group are eliminated on consolidation.

CRITICAL ACCOUNTING POLICIES

We have identified certain accounting policies that we believe are most significant to the preparation of our consolidated financial statements. Some of our significant accounting policies involve subjective assumption and estimates, as well as complex judgments by our management relating to accounting items. The estimates and associated assumptions are based on our historical experience and various other relevant factors that we believe are reasonable under the circumstances, the results of which form the basis of making judgments about matters that are not readily apparent from other sources. When reviewing our financial results, you should consider: (i) our selection of significant accounting policies, (ii) the judgment and other uncertainties affecting the application of such policies, and (iii) the sensitivity of reported results to changes in conditions and assumptions. The determination of these items requires management judgments based on information and financial data that may change in the future periods, and as a result, actual results could differ from those estimates.

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We set forth below those accounting policies that we believe are of critical importance to us or involve the most significant estimates and judgments used in the preparation of our financial statements. Our significant accounting policies are set forth in detail in Note 2 of Section II of the Accountant's Report included in Appendix I to this prospectus.

Revenue Recognition

We derive our revenue from (i) the sales of in-game virtual items of our self-developed games and licensed games and (ii) game licensing and provision of technical support services.

Revenue Generated from Sales of In-Game Virtual Items

We develop online games and obtain licensed games from third-party game developers, distribute our self-developed games and licensed games through our own distribution channel and third-party distribution channels, and collect payments from paying players of our games through third-party distribution channels or third-party payment channels. For details of the allocation of rights and responsibilities between us and third-party game developers, distribution channels and payment collection channels, see "Business — Game Licensing — Commercial Arrangements With Third-Party Game Developers" and "Business — Game Distribution and Payment Collection Channels."

All of our games are free to play. When players want to improve their in-game experience, they purchase virtual credits for the game and then convert such virtual credits into various in-game virtual items. Players make their payments through the payment collection systems of third-party distribution channels, third-party payment channels engaged by us or our pre-paid game cards distributed by third party pre-paid game card distribution channels. After third-party distribution channels and payment vendors collect the payments, they remit the payments to us in cash after deducting service charges or distribution discounts they are entitled to pursuant to the terms of their agreements with us.

Principal Agent Consideration

We have evaluated the respective roles and responsibilities of us, third-party game developers, third-party distribution channels and third-party payment collection vendors in the delivery of game experience to the paying players in determining if we are acting as a principal or as an agent in the arrangement, and therefore if our revenue from such arrangement should be reported on a gross or net basis, by assessing various factors, including but not limited to whether we (i) have the primary responsibility in the arrangement, and (ii) have latitude in establishing the selling prices. We conducted the evaluation in accordance with the guidance provided by paragraph 21 "Determining whether an entity is acting as a principal or as an agent (2009 amendment)" of the Appendix to IAS 18 "Revenue Recognition."

We have concluded that we take primary responsibilities in the delivery of game experience to paying players, including marketing and promotion, determining distribution and payment channels, providing customer services and hosting game servers, if needed. In addition, we also control game and service specifications (i.e. game content and playing model) for both our self-developed games and licensed games by providing continuous content updates for self-developed games or requiring developers of our licensed games to provide such update for licensed games to satisfy our requirement for improving better game experiences.

We have also concluded that we have substantial latitude in establishing the selling prices of the in-game virtual items because we determine (1) the real money that our paying players need to pay for our virtual credits, (2) the conversion rate of our virtual credits to our in-game virtual items, (3) the

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conversion rate of third-party distribution channels' virtual credits to our virtual credits when we publish our games through those third-party distribution channels that have their own virtual credits, and (4) the face value of the pre-paid game cards and the prices sold to third-party pre-paid game card distributors when we sell our pre-paid game cards through pre-paid game card distributors.

Based on relevant procedures we have performed, we did not identify any third-party distribution channel without its own virtual credits offering any discount. As to such third-party distribution channels with their own virtual credits, we noticed that they may conduct promotional activities occasionally (mainly during public holidays) in the form of offering volume discounts on their virtual credits. As such distribution channels' virtual credits may be used to exchange for our virtual credits, discounts on such distribution channels' virtual credits could have an impact on the real money ultimately paid by the players for our in-game virtual items. If the distribution channels were to offer discounts freely on their virtual credits to the paying players that can be converted into our virtual credits, our overall operational strategies and results of game operations would be disturbed significantly. As such, we have adopted the following measures to ensure such discounts do not have any significant impact on our operations or financial performance:

- (i) routinely entering into agreements pursuant to which the third-party distribution channels are required to inform our Group in advance if they intend to conduct any promotional activities that may potentially impact the effective conversion ratio between our Group's virtual credits and real money;
- (ii) routinely specifying in our agreements with the third-party distribution channels that, if there is any effective adjustment to the conversion ratio between the distribution channels' virtual credit and real money (including as a result of any discounts on the distribution channels' virtual credits), either (a) we have the right to adjust the conversion ratio between our virtual credits and the distribution channels' virtual credits so as to maintain the effective conversion ratio between our virtual credits and real money, or (b) the third-party distribution channels are obliged to ensure that the adjustment shall not apply to any of their virtual credits that may be converted into our virtual credits; and
- (iii) establishing process and procedures to search or monitor the promotional activities conducted by the third-party distribution channels and making accounting estimates on the impact of the discounts offered on the distribution channels' virtual credits through a variety of procedures.

Historically we have not encountered any circumstances that required us to exercise our right or enforce the third-party distribution channels' obligations summarized in paragraph (ii) above as such discounts did not have any significant impact on our operation or financial performance. We note that such discounts were offered only sporadically and not systematically. We believe that such discounts did not result in any noticeable loss of paying players of our games on other distribution channels that do not offer discounts, nor create any impression among paying players that our virtual credits are generally available at lower than standard prices set by us, or otherwise lead to any downward pressure on the price of our virtual credits. Based on our estimation, the amount of such discounts were also modest. As advised by our PRC Legal Advisor, our right and third-party distribution channels' obligation as described in paragraph (ii) above are valid and legally binding under PRC laws notwithstanding our decision not to exercise such right or enforce such obligation during the terms of our agreements with third-party distribution channels. We will exercise our right or enforce the third-party distribution channels' obligation under these agreements whenever we determine it is necessary after evaluating the impact on our game operation or financial performance from any discount that third-party distribution channels may want to offer in the future.

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We also have substantial latitude in establishing the selling price of the pre-paid game cards because (a) the range of discounts that may be offered by distributors is set forth in our agreements with primary distributors, and (b) the discounts offered by us to primary distributors have effectively set the maximum discounts that pre-paid game card distributors may offer to paying players because the distributors will likely incur losses to themselves if they offer even higher discounts to paying players and the Group believes it is reasonable to assume that no distributor is willing to incur such loss.

Based on an overall evaluation of all relevant factors, we have determined that we should consider ourselves the principal in the delivery of game experience to paying players as we have exposure to the significant risks and rewards associated with the operation of the games and thus record revenue on a gross basis. Service charges by third-party distribution channels, content fee to third-party game developers, commission fees charged by third party payment channels are recorded as cost of revenue.

Determination of the Gross Amount of our Revenue from Sales of In-game Virtual Items

As we have determined that we are the principal in delivering game experience to paying players, the paying players are identified by us to be our customers. Accordingly, we consider the actual price paid by the paying players to be the gross amount of our revenue. In determining the gross amount of revenue generated from operations of our self-developed games and licensed games, we make estimates of the discounts given to the paying players by the third-party game distribution channels and prepaid game card distribution channels when necessary based on available information. Any discounts given to our paying players are recorded as a reduction of our revenue.

To the best of our knowledge, our third-party distribution channels and we offer three types of discounts to paying players.

- Volume Discounts Offered by Us

We offer volume discounts to paying players for their purchase of our virtual credits through our own platform via third-party online payment vendors offered by us. We have maintained a system to capture the actual price paid by the paying players through these third-party online payment vendors. The actual proceeds received from sales of virtual credits are initially recorded as deferred revenue, which is immediately or ratably recognized as revenue only when the in-game virtual items exchanged by virtual credits are consumed. During the Track Record Period, we calculated the average discount rates of virtual credit based on the payment information collected, and applied them to individual in-game virtual items when revenue is recognized.

We recognized revenue from sales of these in-game virtual items through those payment collect channels mentioned above in the amount of RMB81.8 million, RMB107.3 million, RMB55.9 million and RMB55.0 million in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, which excluded the estimated discounts of RMB3.7 million, RMB2.6 million, RMB1.1 million and RMB0.9 million, respectively, offered by us.

- Volume Discounts Offered by Third-Party Distribution Channels

A number of third-party distribution channels used by us not only have their own payment collection systems but also their own virtual credits (“Distributor Virtual Credits”) system such as 91 Credit (91幣) on 91.com and 360 Credits (360幣) on 360.com. When accessing our games through these distribution channels, paying players may (i) purchase our virtual credits with real money directly through the distribution channels’ payment collection systems or (ii) purchase the distribution channels’ own Distributor Virtual Credits with real money and then exchange them for our virtual credits at a ratio

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agreed between such distribution channels and us. Some of these distribution channels offered volume discounts occasionally to paying players during the Track Record Period upon their purchase of Distributor Virtual Credits. The agreements between most third-party distribution channels and us contain provisions requiring third-party distribution channels to inform us in advance if they intend to conduct any promotional activities that may potentially involve paying players of our games. However, we noticed that some third-party distribution channels offered volume discounts on their Distributor Virtual Credits to our paying players without notifying us during the Track Record Period notwithstanding the notification requirements. As a result of the above, and also due to the fact that we could not capture the amount actually paid by our paying players to purchase Distributor Virtual Credits when the third-party distribution channels offer volume discounts on the Distributor Virtual Credits, we have to estimate the amount of such discounts to eventually estimate the actual price paid by our paying players. We note that an estimate, even if a reasonable or reliable one, implies that it is inherently not a precise amount without uncertainty, but use of reasonable estimates is an essential part of the preparation of financial statements and does not undermine their reliability.

We have performed the following procedures to identify the third-party distribution channels that offered discounts and the level and magnitude of discount so as to form the basis of our estimates:

- We conducted independent searches for historical information about volume discounts of Distributor Virtual Credits offered by the third-party distribution channels on the Internet including the websites and/or mobile applications of these third-party distribution channels.
- We inquired the customer service personnel of all of our third-party distribution channels, on a “no-name” basis, focusing on the level and magnitude of discounts offered by such distribution channels. We made the inquiries on a “no-name” basis and did not disclose our identity in order that we can obtain an independent finding of whether a discount is offered and if so, the magnitude of the discount by a third-party distribution channel. Such independent search can also allow us to cross-check against other procedures, such as the obtaining of written confirmations solicited from the third-party distribution channels, to identify any contradicting information gathered.
- We inquired the personnel in charge of our account at all third-party distribution channels who normally handle all business affairs associated with online game distribution with us, focusing on the level and magnitude of discounts offered by such distribution channels.
- We requested written confirmations, either verbally or in writing, from all third-party distribution channels to specifically confirm the level and magnitude of volume discounts offered on their Distributor Virtual Credits.
- We followed up the findings from the above procedures, analyzed the pattern of discounts offered by the third-party distribution channels, and eventually formed the basis of our estimation of the discounts offered by third-party distribution channels.

In designing the above procedures, we have considered the fact that it is in the interests of the third-party distribution channels to disseminate discount information to its users/players and that they will market such discount information on their websites and/or mobile applications. Accordingly, apart from obtaining direct information from the third-party distribution channels through obtaining written confirmations and making inquiries with the personnel in charge of our discounts, we also conducted independent searches of websites and/or mobile applications of the third-party distribution channels and made enquires with the customer service personnel on a “no-name” basis. We try to cover as many third-party distribution channels as possible in performing each of the above procedures. In the process of

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preparing the Accountant's Report in Appendix I to the prospectus, we covered all third-party distribution channels that we used during the Track Record Period in the first two procedures listed above and covered third-party distribution channels that accounted for a majority of our revenue attributable to third-party distribution channels excluding Apple Inc.'s App store in the third and fourth procedures listed above. More specifically, in performing the third and the fourth procedures listed above, we covered third-party distribution channels that accounted for around 99% and 53%, respectively, of our revenue attributable to third-party distribution channels excluding Apple Inc.'s App Store before deduction of the estimated volume discounts for the year ended December 31, 2013. We excluded Apple Inc.'s App Store because it operates public accounts with game developers/publishers, including us, on an individual basis. We can view all payment information including the actual amounts paid by the paying players via the public account with App Store. Therefore, we are able to determine the actual amounts derived from paying players using App Store and there is no need to do any estimation. We consider our findings from each of the above procedures as a whole and do not solely rely on any particular procedure. We also take into account the respective strength and limitation of different procedures in arriving at a reliable estimate of the discounts offered by third-party distribution channels to our paying players.

The Directors consider the above process and procedures implemented by us effective to develop a reliable estimate of the discounts offered by third-party distribution channels to our paying players and there was no error made by us in applying such process and procedures for developing the estimates for the Track Record Period.

Based on the process and procedures described above and after consolidating all the information obtained from these process and procedures, we have identified that, for the year ended December 31, 2013, 39 third-party distribution channels had offered volume discounts associated with their Distributor Virtual Credits, representing approximately 22.4% of all 174 third-party distribution channels used by us during that year. Total revenue generated from these 39 distribution channels for the year ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014 was RMB29.5 million, RMB42.4 million, RMB22.1 million and RMB35.4 million, respectively, representing approximately 21.8%, 15.6%, 17.1% and 18.7%, respectively, of the total revenue of all third-party distribution channels (excluding Apple Inc.'s App Store) before deducting the volume discounts of Distributor Virtual Credits for the same periods. The range of discounts offered by these distribution channels were 0.38% to 50% during the Track Record Period.

Based on the procedures described above, we discovered that (i) volume discount activities only happened occasionally and mainly occurred during the public holidays during the Track Record Period; (ii) not all paying players' purchases were made through Distributor Virtual Credits as other payment options, i.e., to purchase our virtual credits directly, may be perceived by the paying players to be more direct and convenient. Nevertheless, we estimated the volume discounts offered by these third-party distribution channels by adopting a prudent approach and applied the highest discount level noted by us in respect of a third-party distribution channel to the entire revenue amounts generated from that third-party distribution channel throughout the Track Record Period. For example, if we identified multiple discount rates (from 1% up to 10%) offered by a third-party distribution channel, we have applied the highest level discount rate (10%) to the revenue generated from this distribution channel during the entire Track Record Period.

We have calculated the revenue and deferred revenue before discounts from in-game virtual items based on the standard price of the virtual credit and then deduct the discounts offered by third-party distribution channels as estimated based on the approach outlined above.

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The actual amount paid by paying players deducting actual amount remitted by third-party distribution channels to us is retained by the third-party distribution channels, which is recognized as the cost of revenue, or prepaid service charges to distribution channels.

We recognized revenue generated through third-party distribution channels of RMB129.9 million, RMB329.0 million, RMB142.9 million and RMB271.7 million in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, which excluded the estimated discount of RMB5.4 million, RMB6.9 million, RMB4.2 million and RMB7.0 million, respectively. Services charges by distribution channels for the corresponding period amounted to RMB84.2 million, RMB173.0 million, RMB78.6 million and RMB124.9 million, respectively. In conformity with IFRS, such service charges by distribution channels are recorded as cost of revenue. If the service charges by distribution channels were to be deducted from revenue for the relevant period, the resulting figures would be RMB181.4 million, RMB342.0 million, RMB158.2 million and RMB237.9 million in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively.

- Pre-paid Game Cards Selling Discounts

We also offer discounts when selling our pre-paid game cards. We sell pre-paid game cards to third party pre-paid game cards distributors on a wholesale basis, typically at a discount of 10% off the face value of the cards, and require the distributors to make full payments in cash of the discounted purchase prices before delivering the cards. Although we are determined to be the principal in the arrangement for the delivery of game experience to the paying players, we give certain latitude to our primary third-party prepaid game cards distributors to set the selling price of the pre-paid game cards to their sub-distributors or the paying players. The sub-distributors also have discretion to determine the final price paid by the paying players. Due to multi-layers of distributor network involved and wide range of selling price offered to the paying players by third-party pre-paid game cards distributors, the discounts eventually offered to the paying players by the distributors cannot be captured directly by the Group. We estimate the discounts offered to the paying players to be the maximum discount that we offered to distributors, and as such, we record revenue related to sales of pre-paid game cards based on the amount received from our primary third-party pre-paid game card distributors, which equals to the amount of face value of our pre-paid game cards minus the maximum discount that we offered to distributors.

The actual proceeds received from sales of pre-paid game cards after the discounts offered to pre-paid game card distributors are recorded as advance from sales of prepaid game cards in trade and other payables. Such advance is transferred to deferred revenue when the game cards are activated by the players to purchase virtual credits, which is immediately or ratably recognized as revenue only when the in-game virtual items exchanged by virtual credits are consumed. During the Track Record Period, we calculated the average discount rates of prepaid cards sold, and applied them to individual in-game virtual items when revenue was recognized. We recognized revenue generated through prepaid game cards of RMB32.6 million, RMB41.4 million, RMB21.5 million and RMB9.3 million in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, which excluded the estimated discount of RMB3.6 million, RMB4.6 million, RMB2.4 million and RMB1.0 million, respectively.

Estimate of Player Relationship Period and Revenue Recognition

Upon the sales of virtual credits, we typically have an implied obligation to provide the relevant services which enable the in-game virtual items exchanged from the virtual credits to be displayed or used in the games. As a result, proceeds received from the sales of virtual credits are initially recorded as our deferred revenue, which is immediately or ratably recognized as revenue only when the services relating to the in-game virtual items purchased by the paying players are rendered to the respective paying players.

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For the purposes of determining when services have been provided to the respective paying players, we have made the following determinations:

- Revenue Recognition of Consumable Items

Consumable items represent in-game items that can be consumed by a specific player action or expire over a predetermined expiration time. We keep track of the consumption or expiration of all the consumable items in the game. The common characteristics of the consumable items include (a) items will be no longer displayed on the player's game account after a specified period of time ranging from several days to several months or after a player consumes the items through performing in-game actions, and (b) once the items are consumed or expired, we do not have further obligations in connection with such items.

Revenues in relation to consumable items are recognized (as a release from deferred revenue) over the period that they are expiring or after they are consumed, as our obligations in connection with such items have been fully rendered to the players after their consumption or expiration.

- Revenue Recognition of Permanent Ownership Items

Permanent ownership items represent in-game items that are accessible by the paying players as long as they play the game. We will provide continuous online game services in connection with these permanent ownership items until they are no longer used by the paying players.

Revenues in relation to the permanent ownership items are recognized over their estimated lives. We consider player behavior patterns in estimating the lives of permanent ownership items ("Player Relationship Period"), which is the average playing period of all paying players between the first date the paying players charge the virtual credits into their accounts and the last date these paying players would play the game, and it represents our best estimate for the lives of the in-game permanent ownership items purchased by the paying players.

The following table sets forth a breakdown of our revenue from sales of in-game virtual items by consumable and permanent ownership items for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(unaudited)							
Consumable items	26,428	10.8	219,313	45.9	88,396	40.1	119,954	35.7
Permanent ownership items . . .	25,257	10.3	193,125	40.4	89,188	40.5	207,043	61.6
Items not differentiated ⁽¹⁾	192,559	78.9	65,309	13.7	42,778	19.4	8,956	2.7
Total revenue from sales of in-game virtual items	244,244	100.0	477,747	100.0	220,362	100.0	335,953	100.0

Notes:

(1) When we do not have the ability to differentiate revenue attributable to permanent ownership virtual items from consumable virtual items for a specific game, we recognize revenue from both permanent ownership and consumable virtual items for that game ratably over the Player Relationship Period. The items not differentiated represented a majority of our revenue in 2012 primarily because many of our earlier games were not designed to collect and store the detailed information needed to differentiate permanent ownership virtual items from consumable virtual items.

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- Estimate Player Relationship Period

We estimate the Player Relationship Period on a game-by-game basis and re-assess such periods quarterly or semi-annually. We consider the game profile and target audience when estimating the Player Relationship Period of a game and all historical paying players' log-on data of that game is analyzed. A paying player's Player Relationship Period is the period between the first time the player charge virtual credits into his/her account and the assessment date plus the future period the player will remain active in the game, which is estimated by the Group by analyzing historical operation data as well as paying players' behavior in the game and by making reference to the common practice in the industry. A game's Player Relationship Period is calculated by averaging the Player Relationship Period of all paying players for that specific game.

If there is only a limited period of paying player data available, such as in the case of a newly launched game, we consider other qualitative factors, such as the playing patterns for paying players for other games with similar characteristics, including game genre and playing method, developed by us or third-party developers, to estimate the Player Relationship Period based on other similar types of games developed by us or third-party developers until the new game establishes its own patterns and history.

While we believe our estimates to be reasonable based on available paying player information, we may revise such estimates in the future as the games' operation periods change, sufficient individual game data becomes available, or there is indication that the similarities in characteristics and playing patterns of paying players of the games change. Any adjustments arising from changes in the estimates of Player Relationship Period is applied prospectively on the basis that such changes are caused by new information indicating a change in paying player behavior patterns. Any changes in our estimates of Player Relationship Period may result in revenues being recognized on a basis different from prior periods and may cause our operating results to fluctuate.

The following table sets forth the Player Relationship Period we estimated for each of our top five revenue-generating games for the periods indicated:

	<u>Year ended December 31,</u>		<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
	(number of days)			
Sword of Heaven(蒼穹之劍)	*	*	*	58
Blade of God(神之刃)	*	*	*	62
Excalibur(王者之劍)	*	114	114	123
Three Kingdoms(三國演義)	*	98	98	129
Daybreak(黎明之光)	*	60	60	63
Bubble Ninja(火影世界)	131	131	131	*
Journey to the West(西遊記)	254	254	254	*
Warrior King(傭兵天下)	167	*	*	*
Flying West(大笑西遊)	116	*	*	*
Heaven Sword & Dragon Sabre(倚天劍與屠龍刀)	502	*	*	*

Note:

* Not a top five revenue-generating game in the indicated period.

Revenue Generated from Licensing and Technical Support Fee

We also derive revenue from licensing games and providing technical support services primarily from oversea markets. We have evaluated the respective roles and responsibilities of us and the overseas publishers in the delivery of game experience to overseas paying players and concluded that the overseas

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publishers have the primary responsibility in these license arrangements as they are responsible for marketing and promotion of the games in each overseas market, hosting the game servers, determining the price of the in-game virtual items, selection of distribution and payment channels and providing customer services, and therefore have exposure to the significant risks and rewards associated with the operation of these games under license. Accordingly, we record technical support fee, which is calculated based on a pre-determined percentage of the proceeds received by overseas publishers from the overseas paying players, on a net basis. For additional information on the salient terms of the arrangements under which we license our games to third-party overseas publishers, please see the section headed “Business — International Markets” in this prospectus.

Licensing revenue is recognized on a straight-line basis over the licensing period. Technical support revenue is recognized when technical support services are rendered.

Preferred Shares

We issued the Preferred Shares, including the Series A Preferred Shares, the Series B Preferred Shares, the Series C Preferred Shares and the Series D Preferred Shares, to certain investors in April 2008, May 2008, January 2014 and May 2014, respectively. In connection with our Series C equity financing, our Founders, the Series A Investors and the Series B Investors sold some of their ordinary shares, Series A Preferred Shares and Series B Preferred Shares to the Series C Investors in January 2014. The Series C and Series D Preferred Shares are redeemable upon occurrence of certain future events and at the option of the holders. The Preferred Shares can be converted into ordinary shares of our Company at any time at the option of the holders and will be automatically converted into the Shares upon the Listing or agreed by majority of their holders. For details on the terms of the Preferred Shares, see “History, Reorganization and Corporate Structure — Pre-IPO Investments” in this prospectus.

We designated the Preferred Shares as financial liabilities at fair value through profit or loss. The Preferred Shares are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in our consolidated statements of comprehensive loss. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the profit or loss. The Preferred Shares are classified as non-current liabilities unless we expect we have an obligation to settle the liability within 12 months after the end of the reporting period.

The Directors have used the discounted cash flow method to determine the underlying equity value of our Company and adopted equity allocation method to determine the fair value of the Preferred Shares as of the dates of issuance and at the end of each reporting period. We engaged an independent appraiser to assist in the determination of the fair value of the Preferred Shares, which after reviewing documents such as the agreements relating to the Preferred Shares and our financial information, helped us to build a valuation model as well as evaluating the reasonableness of the key valuation assumptions used in the determination of the fair value of the Preferred Shares. Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	2012	2013	Six months ended June 30, 2014
Discount rate used to determine the underlying equity value of our			
Company	24%	21%	19%
Risk-free interest rate	0.24%	0.11%	0.06%
Volatility	52.22%	52.12%	51.55%

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Discount rate was estimated by weighted average cost of capital as of each valuation date, which was derived by using the capital asset pricing model, after taking into account the systematic risks and specific risks of the Company. The Directors estimated the risk-free interest rate based on the yield of US Treasury Notes with a maturity life equal to the period from the valuation date to the expected exit date. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry. These assumptions are comparable to those adopted by other similar companies in the industry. Therefore, the Directors believe these assumptions are reasonable to be used for the assessment. Probability weight under each of the redemption feature and liquidation preferences was based on the Directors' best estimates. In addition to the assumptions adopted above, our projections of future performance were also factored into the determination of the fair value of the Preferred Shares on each valuation date.

The estimated carrying amount of the Preferred Shares for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014 would have been approximately RMB10,489,000 lower/RMB11,555,000 higher, RMB31,249,000 lower/RMB34,947,000 higher, and RMB50,679,000 lower/RMB57,531,000 higher, if the discount rate used in the discount cash flow analysis should be higher/lower by 100 basis points from the Directors' estimates.

The movement of the Series A Preferred Shares, Series B Preferred Shares and Series C Preferred Shares during the Track Record Period is set forth below:

	RMB'000
At January 1, 2012	<u>156,505</u>
Changes in fair value	133,388
Currency translation differences	<u>(918)</u>
At December 31, 2012	<u>288,975</u>
Change in fair value of the Preferred Shares for the year included in profit or loss	<u>133,388</u>
At January 1, 2013	<u>288,975</u>
Changes in fair value	446,208
Currency translation differences	<u>(15,352)</u>
At December 31, 2013	<u>719,831</u>
Change in fair value of the Preferred Shares for the year included in profit or loss	<u>446,208</u>
(Unaudited)	
At January 1, 2013	<u>288,975</u>
Changes in fair value	133,468
Currency translation differences	<u>(6,097)</u>
At June 30, 2013	<u>416,346</u>
Change in fair value of the Preferred Shares for the period included in profit or loss	<u>133,468</u>
At January 1, 2014	<u>719,831</u>
Issuance of preferred shares	306,906
Changes in fair value	116,817
Currency translation differences	<u>7,518</u>
At June 30, 2014	<u>1,151,072</u>
Change in fair value of the Preferred Shares for the period included in profit or loss	<u>116,817</u>

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In May 2014, we issued the Series D Preferred Shares which are initially valued at RMB123.1 million. As we expect to complete the Listing in 2014 upon which all of the Preferred Shares will be automatically converted into the Shares, we expect to recognize fair value loss of preferred shares in the range of RMB157.2 million to RMB558.0 million in 2014 based on the Offer Price range of HK\$9.80 to HK\$13.10 per Offer Share.

Share-Based Payments

Equity-Settled Share-Based Payment Transactions

Shares Awarded to Employees

In 2008 and 2009, we granted 22,222 and 44,444 ordinary shares of our Company to two employees in return for their services to our Group. In addition, during 2007 to 2012, we granted certain equity interest of the subsidiaries of Linekong Entertainment to employees of the subsidiaries in return for their services to the Group. For details on these awards, see “History, Reorganization and Corporate Structure — Information on Members of Our Group — Our Company” and “History, Reorganization and Corporate Structure — Information on Members of Our Group — Subsidiaries of Linekong Entertainment” in this prospectus. These ordinary shares and equity interests granted are subject to certain vesting schedule or service conditions. The financial impact of those shares awarded is not material to the financial information of the relevant periods.

Shares Awarded to the Founders

From 2009 to 2013, two of our former employees and two of our original founders transferred the ordinary shares of the Company registered under their names to certain Founders after the departure of these two employees and two original founders. For details on these transfers, see “History, Reorganization and Corporate Structure — Information on Members of Our Group — Our Company” in this prospectus. All these ordinary shares were transferred to the Founders at consideration lower than the fair value of the shares for the contributions to our business development by these Founders and were deemed as share awards by our Company to the Founders. For those share awards with no future service conditions or vesting period attached to, the share awards were vested immediately at the time of the share transfer. The difference between the identifiable considerations paid by the Founders for the share transfers and the fair value of the ordinary shares at the time of the transfer was recognized as employee benefit expenses accordingly. For those share awards which are subject to vesting period, the difference between the identifiable considerations paid by the Founders and the fair value of the shares at the time of the transfer is recognized over the vesting period. The employee benefit expenses of the share-based award amounting to RMB10,846,147 and RMB36,908,236 were charged to the profit or loss for the year ended December 31, 2012 and 2013, respectively. The fair value of these awarded shares were fully recognized as employee benefit expenses prior to 2014 and we will not recognize any additional expenses relating thereto. The fair values of awarded shares were calculated based on the fair value of our Company’s ordinary shares at the respective award dates. We adopted discounted cash flow method in determining our Company’s ordinary share value and the key assumption on valuation at the grant dates includes the discount rate of 24% and 21% and projections of our future performances.

RSU Scheme and Share Option Scheme

In March 2014, we adopted an RSU Scheme in order to incentivize our Directors, senior management, consultants, advisors and employees for their contribution to the Group and to attract and retain suitable personnel to enhance the development of our Group. On March 21, 2014, 31,371,494 RSUs were granted under the RSU Scheme. As a result of four grantees of the RSUs leaving employment

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subsequently, their RSUs involving 95,422 Shares have lapsed. Therefore, as of the date of this prospectus, the outstanding RSUs granted under the RSU Scheme involve 31,276,072 Shares of which approximately 15.6% (representing 4,863,782 Shares) would vest before the end of 2014, 44.9% (representing 14,058,366 Shares) would vest in 2015, 20.0% (representing 6,263,469 Shares) would vest in 2016, 13.9% (representing 4,344,831 Shares) would vest in 2017 and the remaining 5.6% (representing 1,745,624 Shares) would vest in 2018, in each case assuming all grantees of the outstanding RSUs continue to meet the vesting requirements applicable to their respective grant of RSUs. For details of the vesting schedule of the RSUs we have granted, please refer to the section headed “Statutory and General Information — D. Share Incentive Schemes — 2. Details of the RSUs granted and outstanding under the RSU Scheme” in Appendix IV to this prospectus. The Share Option Scheme is conditional upon completion of the Global Offering and no award has been granted under the Share Option Scheme as of the date of this prospectus. The principal terms of the RSU Scheme, the RSUs granted under the RSU Scheme and the Share Option Scheme are summarized in the section headed “Statutory and General Information — D. Share Incentive Schemes” in Appendix IV to this prospectus.

The fair values of RSU granted are measured on the respective grant dates based on the fair value of the underlying shares. In addition, we are required to estimate the expected yearly percentage of grantees that will stay within our Group at the end of vesting periods of the RSUs (the “Expected Retention Rate”) or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. We only recognize an expense for those RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The Directors have used the discounted cash flow method to estimate the underlying equity fair value of our Company and adopted equity allocation method to determine the fair value of the RSUs granted as of the grant date. The fair value of the RSUs granted on March 21, 2014 was assessed to be approximately RMB203,925,228. The key assumptions used in the valuation of the RSUs as of the grant date are set out in the table below:

	<u>March 21, 2014</u>
Discount rate used to determine the underlying equity value of our Company	20%
Risk-free interest rate	0.08%
Volatility	52.97%

As of June 30, 2014, the Expected Retention Rate of our ordinary employees was assessed to be 95% and the Expected Retention Rate of our Directors and senior management was assessed to be 100%.

Based on the fair value of the share-based awards, the Expected Retention Rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expense recognized by us in respect of the services rendered by the grantees of the RSUs for the six months ended June 30, 2014 was RMB43,554,000.

Current and Deferred Income Tax

Our income tax expense for a period comprises two parts, current income tax and deferred income tax. Income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity in which case the tax is also recognized in other comprehensive income or directly in equity, as applicable.

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We are subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from our management in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Current income tax

Current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where our subsidiaries and joint ventures operate and generate taxable income. Our management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. We establish provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred Income Tax

Inside basis differences

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by us and it is probable that the temporary difference will not reverse in the foreseeable future. Generally we are unable to control the reversal of the temporary difference for joint ventures unless there is an agreement in place that gives us the ability to control the reversal of the temporary difference not recognized.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

Offsetting

Deferred income tax assets and liabilities are offset against each other when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

The table below sets forth summary of our consolidated statements of comprehensive loss with line items in absolute amounts for the periods indicated:

	Year ended December 31,		Six Months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Revenue	265,633	514,997	236,800	362,818
Cost of revenue	(133,055)	(244,390)	(115,113)	(176,330)
Gross profit	132,578	270,607	121,687	186,488
Selling and marketing expenses	(57,639)	(85,402)	(33,937)	(50,983)
Administrative expense	(34,113)	(68,941)	(14,603)	(48,109)
Research and development expenses	(42,391)	(58,467)	(24,646)	(47,173)
Other gains-net	11,805	5,341	4,012	1,214
Operating profit	10,240	63,138	52,513	41,437
Finance income-net	862	1,141	280	1,384
Fair value loss of preferred shares	(133,388)	(446,208)	(133,468)	(116,817)
Share of profit of joint ventures	73	-	-	-
Loss before income tax	(122,213)	(381,929)	(80,675)	(73,996)
Income tax expense	(811)	(17,491)	(12,135)	(4,883)
Loss for the year/period	(123,024)	(399,420)	(92,810)	(78,879)
Non-IFRS Measures:				
Adjusted profit (unaudited)⁽¹⁾	20,880	84,333	40,658	92,385
Adjusted EBITDA (unaudited)⁽²⁾	31,491	108,538	56,446	100,703

(1) We define adjusted profit as profit or loss for the period excluding share-based compensation expenses, fair value change of preferred shares and expenses relating to the Listing. The use of adjusted profit has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant period. Items excluded from adjusted net profit are significant components in understanding and assessing our operating and financial performance. For reconciliation of non-IFRS measures to closest IFRS measures, please refer to “— Non-IFRS Measures”.

(2) We define adjusted EBITDA as profit or loss for the period before finance income - net, income taxes, depreciation and amortization, further adjusted to exclude share-based compensation expenses, fair value change of preferred shares and expenses relating to the Listing. The use of adjusted EBITDA has material limitations as an analytical tool, as it does not include all items that impact our profit for the relevant period. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance. For reconciliation of the non-IFRS measures to IFRS loss for the year/period, please refer to the section headed “Financial Information — Non-IFRS Measures”.

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DESCRIPTION OF MAJOR COMPONENTS OF OUR RESULTS OF OPERATIONS

Revenue

In China, we derive our revenue primarily from the sales of in-game virtual items that enhance game players' in-game experience and such revenue is recognized when services represented by the virtual items have been provided to paying players. In overseas markets, we derive our revenue primarily from license fees we charge to the overseas publishers of our games as well as technical services that we provide to the overseas publishers. Our license fee revenue is recognized on a straight-line basis over the relevant licensing period and our technical support revenue is recognized when the technical support services are rendered.

Sales of in-game virtual items have comprised the majority of our revenues during the Track Record Period. The following table sets forth a breakdown of our revenue by category in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)			
Development and operations of online games:								
Sales of in-game virtual items	244,244	91.9	477,747	92.8	220,362	93.1	335,953	92.6
License fee and technical service fee	21,389	8.1	37,250	7.2	16,438	6.9	26,865	7.4
Total	265,633	100.0	514,997	100.0	236,800	100.0	362,818	100.0

As we started publishing our games in South Korea in 2014 and expect to continue to publish our games in China and expand our game publishing business into additional overseas markets, we expect sales of in-game virtual items to continue to comprise the majority of our revenue in the foreseeable future.

We utilize three major types of payment collection channels to collect proceeds from our paying players' purchases of our virtual credits and virtual items. All of our payment collection channels are operated by independent third parties. The following table sets forth a breakdown of our revenue attributable to proceeds from sales of in-game virtual items collected through each type of payment collection channels in absolute amount and as percentages of our total revenue generated from sales of in-game virtual items for the periods indicated:

	Year ended December 31,				Six months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(unaudited)			
Third-party distribution channels	129,894	53.2	329,011	68.8	142,922	64.8	271,667	80.8
Third-party payment vendors	81,758	33.5	107,316	22.5	55,904	25.4	54,968	16.4
Pre-paid game cards	32,592	13.3	41,420	8.7	21,536	9.8	9,318	2.8
Total revenue from sales of in-game virtual items	244,244	100.0	477,747	100.0	220,362	100.0	335,953	100.0

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Revenue by game forms

Our online games are offered in three forms: client-based game, webgames and mobile games. In line with the general trend of the online game industry in China, we started with developing and publishing client-based games in 2007, expanded into webgames in 2011 and experienced rapid growth in webgame revenue in 2012, further expanded into mobile games in late 2012 and experienced rapid growth in mobile game revenue in 2013 and the six months ended June 30, 2014. As we shifted our focus to mobile games in 2013 and as the mobile game market in China continues its rapid growth, we expect revenue generated from our mobile games will continue to increase both in absolute amounts and as percentage of our total revenue in the foreseeable future.

The following table sets forth a breakdown of our revenue contributed by client-based game, webgames and mobile games in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
					(Unaudited)			
Mobile games	99	0.0	249,158	48.4	68,413	28.9	313,898	86.6
Webgames	170,167	64.1	145,746	28.3	94,417	39.9	19,724	5.4
Client-based games	95,367	35.9	120,093	23.3	73,970	31.2	29,196	8.0
Total	265,633	100.0	514,997	100.0	236,800	100.0	362,818	100.0

Among our revenue generated from mobile games in 2013 and six months ended June 30, 2014, approximately 25.9% and 28.6% were generated from sales of in-game virtual items through Apple Inc.'s App Store, approximately 69.2% and 65.1% were generated from sales of in-game virtual items through other online application stores and mobile game portals most of which are based on the Android system, and 4.9% and 6.3% were generated from license fee and technical service fee.

Revenue by games

Certain of our games have been highly popular among players and have generated a substantial portion of our revenue during the Track Record Period. Our top five highest revenue-generating games, which differed from period to period, generated an aggregate of 86.5%, 91.9%, 91.8% and 94.5% of our total revenue in 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively.

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The following table sets forth revenue generated from our games that were among the top five highest revenue-generating games in 2012, 2013 and the six months ended June 30, 2013 and 2014 in absolute amounts and as percentages of our total revenue for the periods indicated. Revenue of the top five highest revenue-generating games in each period is highlighted in grey.

	Year ended December 31,				Six months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000 (Unaudited)	%	RMB'000	%
Sword of Heaven(蒼穹之劍)	-	-	9,910	1.9	-	-	150,911	41.7
Excalibur(王者之劍)	99	0.0	238,970	46.4	68,413	28.9	85,557	23.6
Blade of God(神之刃)	-	-	-	-	-	-	77,042	21.2
Three Kingdoms(三國演義)	10,654	4.0	91,322	17.7	57,027	24.1	17,176	4.7
Daybreak(黎明之光)	10,529	4.0	74,175	14.4	47,146	19.9	12,079	3.3
Bubble Ninja(火影世界)	135,399	51.0	50,161	9.7	34,440	14.5	2,425	0.7
Journey to the West(西遊記)	33,231	12.5	18,556	3.7	10,375	4.4	5,826	1.6
Warrior King(傭兵天下)	27,680	10.4	7,485	1.5	6,307	2.7	635	0.2
Flying West(大笑西遊)	19,151	7.2	3,294	0.6	2,257	1.0	-	-
Heaven Sword & Dragon Sabre(倚天劍與屠龍刀)	14,412	5.4	14,835	2.9	7,514	3.2	8,420	2.3
Top Five Subtotal	229,873	86.5	473,184	91.9	217,401	91.8	342,765	94.5
Total	265,633	100.0	514,997	100.0	236,800	100.0	362,818	100.0

Revenue by self-developed games v. licensed games

We publish both self-developed games and licensed games developed by third parties. The following table sets forth a breakdown of our revenue contributed by self-developed games and licensed games in absolute amounts and as percentages of our total revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000 (unaudited)	%	RMB'000	%
Self-developed games	233,623	87.9	421,607	81.9	180,047	76.0	263,117	72.5
Licensed games	32,010	12.1	93,390	18.1	56,753	24.0	99,701	27.5
Total	265,633	100.0	514,997	100.0	236,800	100.0	362,818	100.0

Average monthly paying players and average monthly ARPPU

The number of average monthly paying players and average monthly ARPPU in a specific period are the two most direct factors that affect our revenue in such period. We calculate our average monthly ARPPU by dividing our revenue recognized for the period by the number of months in such period and then by the average monthly paying players for such period. We focus on increasing both the number of paying players and monthly ARPPU for our games.

In line with the general trend in the online game industry, we evolved our focus to mobile games in 2013. As a result, the average monthly paying players of our mobile games increased significantly from 2012 to 2013 and the six months ended June 30, 2014. The rapid growth of our mobile game business in 2013 and the six months ended June 30, 2014 had a significant impact on our webgames and client-based games. With the continuing rapid growth of our mobile games, we expect the paying players of our webgames and client-based games to further decrease in the future.

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The average monthly ARPPU of our mobile games increased significantly from 2012 to 2013 but decreased in the six months ended June 30, 2014 primarily because we commercialized *Blade of God* towards the end of the first quarter of 2014, which reduced our average monthly ARPPU for the period as online games generally have lower ARPPU at the beginning of their commercial operation. The average monthly ARPPU of our client-based games and webgames increased during the Track Record Period as many players left client-based games and webgames in 2012 and 2013 and the remaining players of those games tend to be more loyal players and therefore spent more in the games and drove up the average monthly ARPPU.

The table below sets forth our average monthly paying players and average monthly ARPPU for the periods indicated.

	Year ended December 31,		Six Months Ended June 30,	
	2012	2013	2013	2014
Average monthly paying players				
Mobile games	1,213	73,848	42,291	240,501
Webgames	47,030	29,143	43,355	4,567
Client-based games	21,436	25,184	28,997	10,968
Total	69,679	128,175	114,643	256,036
Average monthly ARPPU (RMB)				
Mobile games	6.9	281.9	269.6	217.5
Webgames	312.2	423.5	363.0	719.8
Client-based games	386.9	399.1	425.2	443.7
All games	329.8	337.1	344.3	236.2

Cost of Revenue

Our cost of revenue consists primarily of (i) service charges by third-party distribution channels of our games, (ii) content fee to developers of our licensed games, (iii) business tax and related surcharges, (iv) salaries, bonuses and other employee benefit paid to employees engaged in our game operation, and (v) bandwidth and server custody fees that we pay to IDCs. Other expenses included in our cost of revenue include, among others, office rental and commission paid to third-party payment collection channels.

Service charges by distribution channels have been the single largest component of our cost of revenue and comprised 31.7%, 33.6%, 33.2% and 34.4% of our revenue in 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively. As we shifted our focus to mobile games in 2013, we increased our cooperation with third-party distribution channels with large user base and marketing capability in the distribution of our games, and as a result, service charges by distribution channels as a percentage of our revenue increased from 31.7% in 2012 to 33.6% in 2013. As we mainly rely on third-party application stores and mobile game portals, such as Apple Inc.'s App Store and game portals based on the Android system, to distribute our mobile games, we expect service charges by distribution channels will continue to be the largest component of our cost of revenue in the foreseeable future.

Content fee to game developers became the second largest component of our cost of revenue in the six months ended June 30, 2014 primarily due to the content fee to developer of *Blade of God*, a successful licensed game we commercialized in March 2014. As we plan to publish more successful licensed games, we expect content fee to game developers to continue to increase both in absolute amount and as a percentage of our revenue.

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The following table sets forth a breakdown of the components of our cost of revenue in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,				
	2012		2013		2013		2014		
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%	
					(Unaudited)				
Service charges by distribution channels . . .	84,209	31.7	173,015	33.6	78,551	33.2	124,883	34.4	
Content fee to game developers	6,476	2.4	18,679	3.6	11,006	4.6	18,947	5.2	
Business tax and related surcharges	10,273	3.9	21,102	4.1	9,500	4.0	12,500	3.4	
Employee benefit expenses (excluding share-based compensation expenses)	10,266	3.9	12,273	2.4	5,849	2.5	6,481	1.8	
Bandwidth and server custody fees	9,088	3.4	9,232	1.8	4,853	2.0	4,938	1.4	
Share-based compensation expenses	-	-	-	-	-	-	2,467	0.7	
Depreciation of property, plant and equipment	4,855	1.8	4,560	0.9	2,397	1.0	2,466	0.7	
Payment handling costs	2,385	0.9	2,332	0.5	1,316	0.6	969	0.3	
Amortization and impairment of intangible assets	2,977	1.1	1,002	0.2	506	0.2	465	0.1	
Others	2,526	1.0	2,195	0.4	1,135	0.5	2,214	0.6	
Total	133,055	50.1	244,390	47.5	115,113	48.6	176,330	48.6	

Gross Profit and Gross Margin

Our gross profit for a period is our revenue for the period less cost of revenue for the period. We had gross profit of RMB132.6 million, RMB270.6 million, RMB121.7 million and RMB186.5 million in 2012, 2013 and six months ended June 30, 2013 and 2014, respectively. Our gross profit margin, which is our gross profit as a percentage of our revenue, was 49.9%, 52.5%, 51.4% and 51.4% in 2012, 2013 and six months ended June 30, 2013 and 2014, respectively.

Selling and Marketing Expenses

Selling and marketing expenses primarily consist of (i) promotion and advertising expenses we incurred for the marketing of our games and (ii) salaries, bonuses and other employee benefit paid to our selling and marketing employees. Other expenses included in our selling and marketing expenses include, among others, traveling and entertainment expenses, office rental and depreciation costs in connection with our marketing activities.

Promotion and advertising expenses has been the largest component of our selling and marketing expenses. The absolute amount of such expenses increased during the Track Record Period. As we plan to announce and publish more new games and enhance marketing activities for our games and our brand, we expect our promotion and advertising expenses to increase in absolute amount.

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The following table sets forth a breakdown of the components of our selling and marketing expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Promotion and advertising expenses	45,173	17.0	69,934	13.6	26,794	11.3	41,100	11.3
Employee benefit expenses (excluding share-based compensation expenses)	9,563	3.6	12,272	2.4	6,118	2.6	5,950	1.6
Share-based compensation expenses	-	0.0	-	0.0	-	0.0	2,154	0.6
Depreciation of property, plant and equipment	299	0.1	291	0.1	148	0.1	193	0.1
Amortization and impairment of intangible assets	29	0.0	26	0.0	14	0.0	16	0.0
Others	2,575	1.0	2,879	0.5	863	0.3	1,570	0.4
Total	<u>57,639</u>	<u>21.7</u>	<u>85,402</u>	<u>16.6</u>	<u>33,937</u>	<u>14.3</u>	<u>50,983</u>	<u>14.0</u>

Administrative Expenses

Administrative expenses primarily consist of (i) share-based compensation to our directors and executive officers, (ii) listing-related expenses, (iii) salaries, bonuses and other benefits for our administrative employees, and (iv) professional service fee. Other expenses included in our administrative expenses include, among others, traveling and entertainment expenses, and office rental in connection with our administrative functions.

The following table sets forth a breakdown of the components of our administrative expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
	(Unaudited)							
Share-based compensation expenses	10,516	4.0	36,908	7.2	-	-	21,900	6.0
Listing-related expenses	-	-	637	0.0	-	-	10,893	3.0
Employee benefit expenses (excluding share-based compensation expenses)	7,082	2.7	19,477	3.8	9,679	4.1	5,333	1.5
Professional service fees	482	0.2	1,373	0.3	730	0.3	2,902	0.8
Depreciation of property, plant and equipment	554	0.2	529	0.1	278	0.1	346	0.1
Amortization and impairment of intangible assets	59	0.0	39	0.0	21	0.0	21	0.0
Impairment charges on trade and other receivables and write-off on other receivables	6,861	2.6	2,439	0.5	1,436	0.6	-	-
Impairment charges on investment in joint ventures	2,154	0.8	-	-	-	-	-	-
Others	6,405	2.3	7,539	1.5	2,459	1.1	6,714	1.9
Total	<u>34,113</u>	<u>12.8</u>	<u>68,941</u>	<u>13.4</u>	<u>14,603</u>	<u>6.2</u>	<u>48,109</u>	<u>13.3</u>

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Research and Development Expenses

Research and development expenses primarily consist of (i) salaries, bonuses and other benefits for our employees engaged in game and game technology development and upgrade, (ii) share-based compensation expenses and (iii) outsourcing game development fee we incurred as we outsource certain aspects of game development to third parties, such as art/graphic design, audio production and translation, when there are temporary shortage of internal resources for such work. Other expenses included in our research and development expenses include, among others, office rental, and traveling and entertainment expenses in connection with our research and development activities.

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled in accordance with IFRSs. These criteria include: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. The game development process of the Group is divided into several stages. Our Directors are of the view that only the development costs incurred after the closed beta testing and before the open beta testing or, in the case where there is no open beta testing, commercialization, can meet the criteria set out above, including the criteria that it is technically feasible to complete the game product so that it will be available for use. It will normally take a few weeks from closed beta testing to open beta testing or commercialization and the development costs incurred during this short period mainly include employee costs, amount of which was not material. Accordingly, we did not have material development costs which meet the capitalization criteria set out above and all development cost was recognized as an expense when incurred.

Employee benefit expenses has been the largest component of our research and development expenses. We recorded employee benefit expenses of RMB29.9 million, RMB49.4 million, RMB20.4 million and RMB25.4 million in 2012 and 2013 and the six months ended June 30, 2013 and 2014, respectively, accounting for 11.2%, 9.6%, 8.6% and 7.0%, respectively, of our total revenue for the same period. As a percentage of our revenue, employee benefit expenses for our research and development employees decreased during the Track Record Period primarily due to the increased commercial success achieved by our new games.

As we plan to develop more quality games and invest in game technology enhancement, we expect our research and development expenses to increase in absolute amount in the future and expect such increase to be generally in line with any future increase in our revenue.

For licensed games, we do not incur material research and development expenses since such direct cost is mainly incurred by the third-party developers, and we pay them for the license of the games.

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The following table sets forth a breakdown of the components of our research and development expenses in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Employee benefit expenses (excluding share-based compensation expenses)	29,864	11.2	49,357	9.6	20,354	8.6	25,386	7.0
Share-based compensation expenses	-	-	-	-	-	-	17,032	4.7
Amortization and impairment of intangible assets	804	0.3	478	0.1	143	0.1	703	0.2
Game development outsourcing costs	6,962	2.6	3,250	0.6	2,123	0.9	641	0.2
Depreciation of property, plant and equipment	1,085	0.4	930	0.2	426	0.2	609	0.2
Others	3,676	1.5	4,452	0.9	1,600	0.6	2,802	0.7
Total	42,391	16.0	58,467	11.4	24,646	10.4	47,173	13.0

Other Gains — Net

Our other gains — net is the net effect of the following primary components: government subsidies, gain arising from disposal of subsidiaries, gains arising from liquidation of subsidiaries, foreign exchange gains/losses, gains/losses on disposals of property, plant and equipment, and others.

The table below sets forth a breakdown of the components of our other gains — net, in absolute amounts and as percentages of revenue for the periods indicated:

	Year ended December 31,				Six Months ended June 30,			
	2012		2013		2013		2014	
	RMB'000	%	RMB'000	%	RMB'000	%	RMB'000	%
Government subsidies	6,590	2.5	4,253	0.8	2,108	0.9	269	0.1
Gain arising from disposal of a subsidiary	5,645	2.1	-	-	-	-	6	0.0
Gain arising from liquidation of a subsidiary	-	-	1,458	0.3	1,458	0.6	-	-
Foreign exchange (losses)/gains, net	(458)	(0.2)	(1,230)	(0.2)	183	0.1	808	0.2
(Loss)/Gain on disposals of property, plant and equipment	(45)	0.0	28	0.0	-	-	-	-
Others	73	0.0	832	0.1	263	0.1	131	0.0
Total	11,805	4.4	5,341	1.0	4,012	1.7	1,214	0.3

Government subsidies

Government subsidies represented various industry-specific subsidies that have been granted to support our research and development efforts. During the Track Record Period, we recorded government subsidies of RMB6.6 million, RMB4.3 million, RMB2.1 million and RMB0.3 million in 2012, 2013 and six months ended June 30, 2013 and 2014, respectively. We have not been engaged by any government authorities to develop any specified Internet related services or products. Most of the subsidies were awarded to us by local government authorities in Beijing as encouragement for our development of

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Internet related services or products of our own choosing such as *Flying West* and *Journey to the West*. Such government subsidies were awarded to medium and small-sized enterprises like us that engage in the culture and creative industry based on our industry knowledge. We are required to apply such funds to the development of the projects stipulated in our application to the relevant government authorities and are not subject to any additional specific obligations except certain restrictions as to the use of such subsidies. We will be restricted to utilize such government subsidies for game or games specifically identified in the relevant government subsidy application. Other typical restrictions include, but not limited to, the equipment that we can purchase. We have applied such government subsidies to the projects as stipulated in our application to the relevant government authorities and have complied with the relevant restrictions.

Fair Value Loss of Preferred Shares

We monitor the Preferred Shares on a fair value basis in accordance with our risk management strategy and designate the entire hybrid contract for the Preferred Shares as a financial liability at fair value through profit or loss. The Preferred Shares are initially recognized at fair value. Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the profit or loss. As the equity value of our Company continuously increased during the Track Record Period, the fair value of our Preferred Shares generally increased and we recognized fair value loss of preferred shares of RMB133.4 million, RMB446.2 million and RMB133.5 million in 2012, 2013 and six months ended June 30, 2013, respectively. In January and May 2014, we issued Series C and Series D Preferred Shares with redemption rights which caused decreases in the fair value of the Series A Preferred Shares and Series B Preferred Shares as they do not have redemption rights and the rights of Series A Preferred Shares and Series B Preferred Shares to participate in liquidation of our Company were also negatively affected. In addition, the issuance of Shares underlying the RSUs pursuant to the RSU Scheme in March 2014 also had a negative dilutive impact on the Series A, Series B and Series C Preferred Shares. As a result, fair value loss of Preferred Shares decreased to RMB116.8 million in the six months ended June 30, 2014.

TAXATION

Cayman Islands

We are an exempt company with limited liability incorporated in the Cayman Islands. Under the Cayman Islands law, we are exempted from Cayman Islands income tax.

British Virgin Islands

Linekong Holdings is a limited liability company incorporated under the laws of the British Virgin Islands and is not subject to income or capital gains tax in the British Virgin Islands.

Hong Kong

We are not subject to Hong Kong profits tax on income, dividends and capital gains that are not sourced from Hong Kong. As entities incorporated in Hong Kong, Linekong Interactive Entertainment and Linekong Asia are subject to 16.5% income tax on its taxable profits generated from operations in Hong Kong. Payment of dividends is not subject to withholding tax in Hong Kong.

South Korea

We are not subject to South Korean tax on income, dividends and capital gains that are not sourced from South Korea. As an entity incorporated in South Korea, Linekong Korea is subject to 10% to 24.2%

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income tax on its taxable profits generated from operations in South Korea, depending on its annual net profit size.

PRC

Income tax

Pursuant to the EIT Law, a uniform EIT of 25% is generally applied to both foreign-invested enterprises and domestic enterprises, except where a special preferential rate applies.

Linekong Entertainment, Shouyoutong and Tianjin 8864 are qualified as software enterprises and are exempt from EIT for two years, followed by a 50% reduction in the applicable tax rates for the next three years, commencing either from the first year of commercial operations or from the first year of profitable operation after offsetting tax losses generated in prior years, which are 2010, 2011 and 2013 for Linekong Entertainment, Shouyoutong and Tianjin 8864, respectively. The following table sets forth the actual EIT rate for Linekong Entertainment, Shouyoutong and Tianjin 8864 for the periods indicated:

	2012	2013	Six months ended June 30, 2014
Linekong Entertainment	50% reduction	50% reduction	50% reduction
Shouyoutong	EIT exemption	50% reduction	50% reduction
Tianjin 8864	-	EIT exemption	EIT exemption

The tax exemption period for Linekong Entertainment, Shouyoutong and Tianjin 8864 ended or will end after 2011, 2012 and 2014, respectively, and the 50% tax reduction period for Linekong Entertainment, Shouyoutong and Tianjin 8864 will end after 2014, 2015 and 2017, respectively. Accordingly, the 50% tax reduction period for Linekong Entertainment will expire on December 31, 2014. As of the Latest Practicable Date, Linekong Entertainment has not made any application for other preferential tax treatment although it intends to apply for a preferential tax treatment of a reduced enterprise income tax rate of 15% as a high and new technology enterprise in the future. Such application will be subject to the EIT Law and any specific criteria and qualification which the relevant governmental authorities would impose from time to time. Pursuant to the EIT Law, a high and new technology enterprise may apply for the tax benefits under the EIT Law for the reduced enterprise income tax rate of 15%. In addition, our PRC Legal Advisor advised that based on the Administrative Measures on the Confirmation of High and New Technology Enterprises (《高新技術企業認定管理辦法》), when considering the application for preferential tax treatment of a reduced enterprise income tax rate of 15% for a high and new technology enterprise, the relevant governmental authorities would generally take into consideration, among other factors, the applicant's income, type of products, intellectual properties owned by such applicant and the number of development staff. Linekong Entertainment has obtained the High and New Technology Enterprise Confirmation Certificate and therefore our Directors believe that Linekong Entertainment is qualified to apply for such preferential tax treatment of a reduced enterprise income tax rate of 15%. Beijing Linekong Online qualified as a "software enterprise" in May 2014 and the beginning and ending dates of its tax exemption and reduction period cannot be determined yet. The EIT rate for these companies will increase to the standard rate of 25% after the end of their tax reduction periods. The Group intends to apply for other preferential tax treatment under applicable PRC laws and regulations effective at the time although no applications have been made as of the Latest Practicable Date and there is no certainty that these preferential tax treatment will be obtained.

According to a policy promulgated by the SAT, enterprises engaged in research and development activities are entitled to claim 150% of the research and development expenses so incurred in a year as

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tax deductible expenses in determining their tax assessable profits for that year (“Super Deduction”). Linekong Entertainment and Shouyoutong claimed such Super Deduction in ascertaining their tax assessable profits for 2012 and 2013.

All other PRC entities within our Group are subject to the uniform EIT rate of 25%.

Under the EIT Laws and EIT Regulations, an enterprise established outside of the PRC with “*de facto* management bodies” within the PRC is considered a PRC resident enterprise for tax purpose and is subject to EIT at the rate of 25% on its global income. The EIT Regulations define the term “*de facto* management bodies” as bodies that have material and overall management control over the business, personnel, accounts and properties of an enterprise. We do not believe our Company is a resident enterprise under the EIT Regulations as none of our shareholders are PRC companies or PRC corporate groups. However, it remains unclear how PRC tax authorities will determine the tax residency status of companies like our Company or our offshore subsidiaries. See “Risk Factors — Risk Relating to Conducting Business in the PRC — We may be deemed a PRC resident enterprise under the PRC EIT Law and be subject to PRC taxation on our worldwide income.”

Withholding tax

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a non-PRC resident enterprise investor with respect to profits derived after January 1, 2008 are generally subject to a 10% withholding tax rate. If a non-PRC resident enterprise investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

As of June 30, 2014, no retained earnings of Linekong Entertainment and Beijing Linekong Online were remitted to our Company and our Group do not have any plan to conduct this remittance in the foreseeable future. As a result, no withholding tax was accrued during the Track Record Period.

During the Track Record Period, Beijing Linekong Online, Linekong Entertainment and its subsidiaries have fulfilled their tax obligations and did not have any unresolved tax disputes.

NON-IFRS MEASURES

To supplement our consolidated financial statements which are presented in accordance with IFRS, we also use adjusted profit and adjusted EBITDA as additional financial measures. We present these financial measures because they are used by our management to evaluate our financial performance by eliminating the impact of items that we do not consider indicative of the performance of our business. We also believe that these non-IFRS measures provide additional information to investors and others in understanding and evaluating our consolidated results of operations in the same manner as our management and in comparing financial results across accounting periods and to those of our peer companies.

Adjusted Profit

We define adjusted profit as profit for the period excluding share-based compensation expenses, fair value change of preferred shares and expenses relating to the Listing. The term of adjusted profit is not defined under IFRS. The use of adjusted profit has material limitations as an analytical tool, as it does not include all items that impact our profit or loss for the relevant period. Items excluded from adjusted profit are significant components in understanding and assessing our operating and financial performance.

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Adjusted EBITDA

We define adjusted EBITDA as profit or loss for the period before finance income - net, income taxes, depreciation and amortization, further adjusted to exclude share-based compensation expenses, fair value change of preferred shares and expenses relating to the Listing. The term of adjusted EBITDA is not defined under IFRS. The use of adjusted EBITDA has material limitations as an analytical tool, as it does not include all items that impact our profit or loss for the relevant period. Items excluded from adjusted EBITDA are significant components in understanding and assessing our operating and financial performance.

The following table reconciles our adjusted profit and adjusted EBITDA for the periods presented to the IFRS loss for the year/period:

	<u>Year ended December 31</u>		<u>Six months ended June 30,</u>	
	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
Loss for the year/period	(123,024)	(399,420)	(92,810)	(78,879)
Add:				
Share-based compensation expenses	10,516	36,908	-	43,554
Fair value change of preferred shares	133,388	446,208	133,468	116,817
Listing-related expenses	-	637	-	10,893
Adjusted profit (unaudited)	<u>20,880</u>	<u>84,333</u>	<u>40,658</u>	<u>92,385</u>
Add:				
Depreciation and amortization	10,662	7,855	3,933	4,819
Finance income - net	(862)	(1,141)	(280)	(1,384)
Income tax	811	17,491	12,135	4,883
Adjusted EBITDA (unaudited)	<u>31,491</u>	<u>108,538</u>	<u>56,446</u>	<u>100,703</u>

In light of the foregoing limitations for these non-IFRS measures, when assessing our operating and financial performance, you should not consider adjusted profit and adjusted EBITDA in isolation or as a substitute for our profit or loss for the period, operating profit or any other operating performance measure that is calculated in accordance with IFRS. In addition, because these non-IFRS measures may not be calculated in the same manner by all companies, it may not be comparable to other similar titled measures used by other companies.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six Months Ended June 30, 2014 Compared to Six Months Ended June 30, 2013

Revenue

Our revenue increased by 53.2% from RMB236.8 million for the six months ended June 30, 2013 to RMB362.8 million for the same period in 2014, primarily due to the increase in revenue derived from our mobile games from RMB68.4 million for the six months ended June 30, 2013 to RMB313.9 million for the same period in 2014, as a result of the commercialization of our mobile games *Sword of Heaven* in December 2013 and *Blade of God* in March 2014 and increase in revenue generated from *Excalibur*. The increase of revenue generated from mobile games was partially offset by 79.1% and 60.5% decrease in revenue derived from our webgames and client-based games, respectively, as we shifted our focus to mobile games and devoted less resource to these games. In terms of types of revenues, the increase was

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primarily driven by 52.5% increase in sales of in-game virtual items from RMB220.4 million for the six months ended June 30, 2013 to RMB336.0 million for the same period in 2014, primarily as a result of the increase in our average monthly paying players from 114.6 thousand for the six months ended June 30, 2013 to 256.0 thousand for the same period in 2014.

Cost of revenue

Our cost of revenue increased by 53.2% from RMB115.1 million for the six months ended June 30, 2013 to RMB176.3 million for the same period in 2014, primarily due to increase in service charges by distribution channels, content fee to third-party game developers, and business tax and related surcharges. Service charges by distribution channels increased by 58.9% from RMB78.6 million in the six months ended June 30, 2013 to RMB124.9 million in the same period of 2014, primarily due to increase in our revenue generated from sales of in-game virtual items through third-party distribution channels as a result of the increase of number of mobile games we offered in our game portfolio in 2014. Content fee to game developers increased by 71.8% from RMB11.0 million in the six months ended June 30, 2013 to RMB18.9 million in the same period of 2014, primarily because we commercialized a new licensed game, *Blade of God*, in March 2014 and incurred significant content fee to the developer of this game. The increase in business tax and related surcharges was in line with the increase of our revenue in 2014.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 53.3% from RMB121.7 million for the six months ended June 30, 2013 to RMB186.5 million for the same period in 2014, primarily due to increase in our revenue. Our gross margin remained stable as 51.4% for the six months ended June 30, 2013 and 2014.

Selling and marketing expenses

Our selling and marketing expenses increased by 50.5% from RMB33.9 million for the six months ended June 30, 2013 to RMB51.0 million for the same period in 2014, primarily due to a significant increase in promotion and advertising expenses as a result of (i) the increase of marketing activities we conducted for *Blade of God* which we commercialized in March 2014 and (ii) the increase in advertising fee as we started to use certain new advertising channels, such as Sina Weibo and TV channels.

Administrative expenses

Our administrative expenses increased by 229.5% from RMB14.6 million for the six months ended June 30, 2013 to RMB48.1 million for the same period in 2014, primarily due to the increase in share-based compensation expenses for our administrative employees, listing related expenses and professional service fees. The share-based compensation expenses for our administrative employees increased from nil for the six months ended June 30, 2013 to RMB21.9 million in the same period in 2014, primarily due to the RSUs we granted in the first quarter of 2014 to such employees pursuant to our RSU Scheme. See “— Share-Based Payments” above. Increases of listing-related expenses and professional service fees were due to our preparation for the Listing.

Research and development expenses

Our research and development expenses increased by 91.9% from RMB24.6 million for the six months ended June 30, 2013 to RMB47.2 million for the same period in 2014, primarily due to the increase in share-based compensation expenses and other employee benefit expenses for our game development and research employees. The share-based compensation expenses for our game development

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and research employees increased from nil for the six months ended June 30, 2013 to RMB17.0 million in the same period in 2014, primarily due to the RSUs we granted to such employees in the first quarter of 2014 pursuant to our RSU Scheme. The increase in other employee benefit expenses were primarily due to the increase in average salary and bonus. The increase in our research and development expenses was partially offset by the decrease in our game development outsourcing costs from RMB2.1 million for the six months ended June 30, 2013 to RMB0.6 million for the same period in 2014, primarily due to the phasing out of *Bubble Ninja* and *Warrior King*.

Other gains - net

Our other gains - net decreased by 70.0% from RMB4.0 million for the six months ended June 30, 2013 to RMB1.2 million for the same period in 2014, primarily due to a decrease in government subsidies from RMB2.1 million in the six months ended June 30, 2013 to RMB0.3 million in the same period of 2014 as government subsidies were granted at the full discretion of relevant government authorities. In addition, we recognized a gain arising from liquidation of subsidiaries in the six months ended June 30, 2013 while we had no such gain in the same period of 2014.

Operating profit

Our operating profit decreased by 21.1% from RMB52.5 million for the six months ended June 30, 2013 to RMB41.4 million for the same period in 2014. The decrease was primarily due to the aggregate share-based compensation expenses of RMB43.6 million and listing-related expenses of RMB10.9 million that we recorded in the six months ended June 30, 2014 while none of such expenses were recorded in the same period of 2013.

Finance income - net

Our finance income - net increased by 394.3% from RMB280 thousand for the six months ended June 30, 2013 to RMB1,384 thousand for the same period in 2014, as a result of increase in our interest income due to increase in our cash balances.

Fair value loss of preferred shares

We recorded fair value loss of preferred shares of RMB133.5 million and RMB116.8 million for the six months ended June 30, 2013 and 2014, respectively. The fair value loss of preferred shares was due to the increase in the fair value of the Preferred Shares as a result of our business growth in 2013 and 2014 which led to increase in the equity value of our Company. Our fair value loss of preferred shares decreased from RMB133.5 million for the six months ended June 30, 2013 to RMB116.8 million for the same period in 2014, primarily because we issued Series C and Series D Preferred Shares with redemption rights in January and May 2014, respectively, and the fair value of the Series A Preferred Shares and Series B Preferred Shares were both negatively affected because the Series A Preferred Shares and Series B Preferred Shares do not have redemption rights and the rights of Series A Preferred Shares and Series B Preferred Shares to participate in liquidation of our Company were also negatively affected. In addition, the issuance of Shares underlying the RSUs pursuant to the RSU Scheme in March 2014 also had a negative dilutive impact on the Series A, Series B and Series C Preferred Shares. As a result, the increase in fair value of preferred shares for the six months ended June 30, 2014 was less than that for the six months ended June 30, 2013.

Share of profit of joint ventures

We did not record any share of profit of joint ventures for six months ended June 30, 2013 and 2014.

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Income tax expense

Our income tax expense decreased by 59.5% from RMB12.1 million for the six months ended June 30, 2013 to RMB4.9 million for the same period in 2014, primarily because one of our subsidiaries, Tianjin 8864, which is exempted from PRC enterprise income tax, generated more income than our other subsidiaries.

Loss for the period

As a result of the foregoing, we recorded loss of RMB92.8 million for the six months ended June 30, 2013 and loss of RMB78.9 million for the same period of 2014.

Adjusted profit and Adjusted EBITDA

As a result of the foregoing, our adjusted profit increased by 127.0% from RMB40.7 million for the six months ended June 30, 2013 to RMB92.4 million for the same period in 2014. Our adjusted EBITDA increased by 78.6% from RMB56.4 million for the six months ended June 30, 2013 to RMB100.7 million for the same period in 2014.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Revenue

Our revenue increased by 93.9% from RMB265.6 million in 2012 to RMB515.0 million in 2013, primarily due to the huge increase in revenue derived from our mobile games from RMB99 thousand in 2012 to RMB249.2 million in 2013, primarily as a result of the commercialization of *Excalibur* and *Sword of Heaven* in 2013, and a 25.9% increase in revenue derived from our client-based games from RMB95.4 million in 2012 to RMB120.1 million in 2013, primarily as a result of the increase in revenue generated from *Daybreak*, partially offset by a 14.4% decrease in revenue derived from our webgames from RMB170.2 million in 2012 to RMB145.7 million in 2013, as a result of the decrease of the resources we devoted to webgames. In terms of types of revenues, the increase was primarily driven by 95.6% increase in sales of in-game virtual items from RMB244.2 million in 2012 to RMB477.7 million in 2013 as a result of the increase in our average monthly paying players from 69.7 thousands in 2012 to 128.2 thousands in 2013 and the increase in average monthly ARPPU of our games from RMB329.8 in 2012 to RMB337.1 in 2013. The increases in our average monthly paying players and average monthly ARPPU were primarily due to our newly commercialized mobile games in 2013.

Cost of revenue

Our cost of revenue increased by 83.6% from RMB133.1 million in 2012 to RMB244.4 million in 2013, primarily due to increases in service charges by distribution channels, business tax and related surcharges, and content fee to game developers. Service charges by distribution channels increased by 105.5% from RMB84.2 million in 2012 to RMB173.0 million in 2013, primarily due to increase in our revenue and the increase of the number of distribution channels we cooperated with, resulting from our shift of business focus from webgames to mobile games in 2013. The increase in business tax and related surcharges, and content fee to game developer were in line with the increase of our revenue in 2013.

Gross profit and gross margin

As a result of the foregoing, our gross profit increased by 104.1% from RMB132.6 million in 2012 to RMB270.6 million in 2013, primarily as a result of the increase of revenue. Our gross margin remained relatively stable with a slight increase from 49.9% in 2012 to 52.5% in 2013.

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Selling and marketing expenses

Our selling and marketing expenses increased by 48.3% from RMB57.6 million in 2012 to RMB85.4 million in 2013, primarily due to the increase in promotion and advertising expenses, as a result of more marketing activities we conducted in 2013 for the promotion of our new mobile games as we just entered the mobile game market.

Administrative expenses

Our administrative expenses increased by 102.1% from RMB34.1 million in 2012 to RMB68.9 million in 2013. This increase was primarily due to the increases in share-based compensation expenses and other employee benefit expenses. The share-based compensation expenses increased from RMB10.5 million in 2012 to RMB36.9 million in 2013, primarily relating to certain transfers of ordinary shares of our Company to our Founders which were deemed as awarded by our Company to the Founders. See “— Share-Based Payments” above. Other employee benefit expenses, excluding share-based compensation expenses, increased from RMB7.1 million in 2012 to RMB19.5 million in 2013, primarily because the bonus we issued to our employees increased, which was in line with improved profitability of our games in 2013.

Research and development expenses

Our research and development expenses increased by 38.0% from RMB42.4 million in 2012 to RMB58.5 million in 2013, primarily due to the increase in employee benefit expenses from RMB29.9 million in 2012 to RMB49.4 million in 2013, as a result of the increased bonus we issued to our employees, which was in line with improved profitability of our games in 2013.

Other gains - net

Our other gains-net decreased by 55.1% from RMB11.8 million in 2012 to RMB5.3 million in 2013, primarily due to the decrease in gain arising from disposal of subsidiaries, as a result of our disposal of 48% equity interest in Linekong Sibite (Beijing) Technology Co., Ltd, a former subsidiary, in 2012, and the decrease in government subsidies from RMB6.6 million in 2012 to RMB4.3 million in 2013, partially offset by an increase of foreign exchange losses from RMB458 thousand in 2012 to RMB1.2 million in 2013.

Operating profit

As a result of the above, our operating profit increased by 518.6% from RMB10.2 million in 2012 to RMB63.1 million in 2013.

Finance income - net

Our finance income - net increased by 32.4% from RMB862 thousand in 2012 to RMB1,141 thousand in 2013, as a result of the increase in interest income.

Fair value loss of preferred shares

Our fair value loss of preferred shares increased by 234.5% from RMB133.4 million in 2012 to RMB446.2 million in 2013, primarily due to the increase of fair value of the Series A Preferred Shares and the Series B Preferred Shares as a result of our business growth which led to increase in the equity value of our Company.

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Share of profit of joint ventures

We held investment in two joint ventures, both of which are Internet companies. We recorded share of profit of joint ventures of RMB73 thousand in 2012 and nil in 2013.

Loss before income tax

As a result of the forgoing, our loss before income tax increased by 212.5% from RMB 122.2 million in 2012 to RMB381.9 million in 2013.

Income tax expense

Our income tax expense increased from RMB811 thousand in 2012 to RMB17.5 million in 2013, primarily due to increase in our taxable income under PRC GAAP and our subsidiary, Shouyoutong, started to pay reduced EIT in 2013 while it was exempted from EIT in 2012.

Loss for the year

As a result of the foregoing, our loss for the year increased by 224.7% from RMB123.0 million in 2012 to RMB399.4 million in 2013.

Adjusted profit and Adjusted EBITDA

As a result of the foregoing, our adjusted profit increased by 303.3% from RMB20.9 million in 2012 to RMB84.3 million in 2013. Our adjusted EBITDA increased by 244.4% from RMB31.5 million in 2012 to RMB108.5 million in 2013.

LIQUIDITY AND CAPITAL RESOURCES

We have financed our operations primarily through cash generated from our operating activities and the capital we raised from issuance of Preferred Shares, and we do not intend to raise material external debt financing in the near future. During the Track Record Period, we did not have any short-term or long-term bank borrowings. As of December 31, 2012 and 2013, June 30, 2014 and October 31, 2014, we had cash and cash equivalents of RMB47.2 million, RMB111.8 million, RMB477.1 million and RMB383.2 million, respectively, which primarily consisted of cash at bank and in hand. Our cash and cash equivalents of RMB383.2 million as of October 31, 2014 was mainly attributable to the funds raised from the issuance of our Series C and Series D Preferred Shares in January 2014 and May 2014, respectively, and cash generated from operations. We expect that our cash and cash equivalents position will be further strengthened as a result of the net proceeds to be received by us from the Global Offering and cash generated from operations. Going forward, we intend to use our cash and cash equivalents on our operations (such as developing and licensing more games and promoting our own distribution platform, 8864.com) and our expansion plans (such as establishing presence in overseas countries and acquisitions of businesses complimentary to our business), and also to implement and roll out our business plans and strategies as further set out in the section headed “Statement of Business Objectives and Use of Proceeds”.

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Net Current Liabilities/Assets

We had net current liabilities of RMB50.4 million as of December 31, 2012 and net current assets of RMB37.9 million, RMB414.0 million and RMB445.8 million as of December 31, 2013, June 30, 2014 and October 31, 2014, respectively. The following table sets forth the breakdown of our current assets and current liabilities as of the dates indicated:

	As of December 31,		As of June 30, 2014	As of October 31, 2014
	2012	2013		
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)
Current assets				
Trade receivables	11,611	43,779	73,696	78,440
Prepayments and other receivables	28,311	36,097	71,108	65,198
Short-term investments	-	-	-	120,000
Short-term bank deposits	6,000	35,198	30,198	30,198
Cash and cash equivalents	47,226	111,777	477,146	383,196
Total current assets	93,148	226,851	652,148	677,032
Current Liabilities				
Trade and other payables	82,458	99,795	123,753	135,434
Current income tax liabilities	4,171	11,062	3,769	3,769
Deferred revenue	56,952	78,064	110,594	92,011
Total current liabilities	143,581	188,921	238,116	231,214
Net current (liabilities)/assets	(50,433)	37,930	414,032	445,818

Trade receivables

Our trade receivables consist of (i) the portion of the sales proceeds that third-party distribution channels and online payment vendors have collected from paying players of our games but are not yet paid to us, and (ii) technical support fee and license fee that we are entitled to receive from third-party publishers of our games but are not yet paid to us. As we require our pre-paid game card distributors to make full payments of the purchase prices before we deliver the pre-paid game cards to them, we do not record any trade receivables from our pre-paid game card distributors. For details of our payment collection channels, see “Business — Game Distribution and Payment Collection Channels — Our Payment Collection Channels”.

Our trade receivables increased by 277.6% from RMB11.6 million as of December 31, 2012 to RMB43.8 million as of December 31, 2013, and further increased by 68.3% to RMB73.7 million as of June 30, 2014. This is primarily attributable to (i) an increase in our revenue as our scale of operation continued to grow; and (ii) an increase in our cooperation with distribution channels to whom we grant longer credit periods. In particular, in 2013 and 2014, the growth in our trade receivables outpaced the growth in our revenue as mobile games contributed a larger portion of our revenue as compared with 2012. For the distribution of the mobile games, we cooperate with large scale distribution channels and/or platforms to whom we grant longer credit periods in accordance with their standard settlement policies. For example, we grant Apple Inc.’s App Store a credit term of 60 days and 360 Mobile Assistant and UC a credit term of approximately 30 days. However, as certain domestic large scale distribution channels have strong bargaining power, despite the credit term of approximately 30 days, it has sometimes taken them more than 60 days to settle their payments to us. In comparison, we generate more revenue in 2012 from sales through our pre-paid game card distributors, who make full payments before we deliver the pre-paid game cards and hence no trade receivables were recorded. The average trade receivable turnover

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days are 13.1 days, 19.6 days and 29.3 days for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014, respectively, which is within our normal business credit term and consistent with the changes aforementioned.

The credit terms we granted to third-party distribution channels and payment vendors are generally up to 60 days. The following table sets forth an aging analysis of our trade receivables as of the dates indicated:

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
0 - 60 days	9,950	40,322	57,600
61 - 90 days	1,078	2,360	6,448
91 - 180 days	192	1,285	5,408
181 days - 365 days	-	174	4,286
over 1 year	391	741	875
	<u>11,611</u>	<u>44,882</u>	<u>74,617</u>

As of December 31, 2012 and 2013 and June 30, 2014, trade receivables past due but not impaired were approximately RMB4.3 million, RMB8.9 million and RMB32.3 million, respectively. These overdue amounts were receivables from a number of third-party distribution channels, payment vendors and international game publishers who had never committed any credit default in the past and were assessed to be financially trustworthy. As such, we believed that these overdue amounts could be recovered. As of October 31, 2014, out of the RMB73.7 million of trade receivables (after the provision of bad debt) as of June 30, 2014, a total of approximately RMB64.8 million has been settled, representing approximately 87.9% of the total outstanding trade receivables as of June 30, 2014.

The table below sets forth the average trade receivables turnover days as of the dates indicated:

	<u>As of December 31,</u>		<u>As of June 30,</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>
Average trade receivables turnover days ⁽¹⁾	13.1	19.6	29.3

(1) Average trade receivables turnover days equals the average of the opening and closing balances of trade receivables for the relevant period, divided by revenue and multiplied by 365 days (for the full-year periods) or 181 days (for the six-month period).

Our average trade receivables turnover days increased from 19.6 days in 2013 to 29.3 days in the six months ended June 30, 2014 primarily because we cooperate with more distribution channels as we provide more mobile games in 2014, the credit terms of which are usually 60 days.

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Prepayments and other receivables

The following table sets forth a breakdown of our prepayments and other receivables included in current and non-current assets as of the dates indicated:

	<u>As of December 31,</u>		<u>As of June 30,</u>
	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB'000	RMB'000	RMB'000
Current			
Prepaid service charges to distribution channels	14,779	18,786	34,739
Prepayment to game developers	2,745	2,070	11,759
Staff advance	1,952	1,111	2,917
Amount due from related parties	12,520	12,128	10,473
Prepaid rental, advertising cost and others	2,125	5,203	10,212
Rental and other deposits	1,049	2,550	6,286
Others	102	1,181	1,654
Less: Provision for impairment of other receivables	(6,961)	(6,932)	(6,932)
Non-current			
Prepaid service charges to distribution channels	1	1	-
Prepayment to game developers	88	80	6
Rental and other deposits	675	-	699
Others	-	-	2,598
Total	29,075	36,178	74,411

Prepaid service charges by distribution channels. Prepaid service charges to distribution channels represents the portion of charges and fees already collected by our third-party distribution channels and online payment vendors that correspond to virtual items that have been sold but not yet consumed by our players. The increase in prepaid service charges to distribution channels during the Track Record Period was in line with the increase in our revenue over this period.

Prepayment to game developers. Prepayment to game developers represents the portion of content fee we paid to developers for the licensed games that corresponds to the portion of virtual items that have been sold but not yet consumed by our players. The increase in prepayment to game developers from RMB2.1 million as of December 31, 2013 to RMB11.8 million as of June 30, 2014 was primarily due to the content fee paid to developer of *Blade of God*.

Staff advance. Staff advance mainly represents advance to employee for business travels and other business-related purposes, and housing loans to certain of our employees.

Amount due from related parties. See “— Related Party Transactions” below.

Provision for impairment of other receivables. The provision for impairment of other receivables represents our bad debt provision for our receivables from Linekong Sibite (Beijing) Technology Co., Ltd. (“Linekong Sibite”), which represents the amount advanced to Linekong Sibite when it was still a subsidiary of the Group in support of its development of the online game *Flying West* (大笑西游). In November 2012, Linekong Sibite ceased to be a subsidiary of the Group. In 2012, as the business of Linekong Sibite continued declining, our Directors considered impairment indicators existed for the receivables. Based on the Group’s assessment on the recoverable amounts, we have made the relevant bad debt provision for such receivables. In November 2014, Linekong Sibite was dissolved and deregistered and we wrote off the entire amount due from Linekong Sibite.

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Non-current — Others. The non-current portion of the prepayments and other receivables mainly represent the withholding individual income tax paid for and on behalf of our eligible employees who are grantees of RSUs pursuant to the RSU Scheme as required under PRC laws and regulations. This amount is expected to be collected from the grantees after the RSUs are vested and the underlying Shares are sold for cash.

Short-term investments

The short-term investments of RMB120 million held as of October 31, 2014 comprise of investments in RMB-denominated principal-guaranteed products offered by PRC domestic banks with a term of no more than three months and an expected maximum annualized return ranging from 4.0% to 4.5%.

Trade and other payables

	As of December 31,		As of
	2012	2013	June 30, 2014
	RMB'000	RMB'000	RMB'000
Trade payables	6,895	19,346	53,549
Other taxes payable	6,501	15,729	7,110
Salary and staff welfare payables	24,602	33,476	33,338
Accrued expenses and liabilities	24,201	15,630	20,170
Advance received from license fee	9,368	2,913	5,301
Advance received from sales of prepaid game cards	6,299	5,099	1,233
Advance from payment vendors	1,935	5,459	851
Amount due to related parties	2,657	2,143	2,201
Total	82,458	99,795	123,753

Trade payables. Trade payables mainly represents Internet Data Center leasing fee and content fee to game developers that we have incurred but not yet paid. Our trade payables increased from RMB6.9 million as of December 31, 2012 to RMB19.3 million as of December 31, 2013 in line with the increase of the revenue generated from *Daybreak* over this period and further increased to RMB53.5 million as of June 30, 2014 in line with the increase of the revenue generated from *Blade of God* over this period.

Other taxes payable. Other taxes payable mainly include the accrued PRC business tax for our revenue and withholding individual income tax for our employees. The fluctuation of our other taxes payable during the Track Record Period was primarily due to the increase of withholding individual income tax relating to the increased bonus we issued to our employees at the end of 2013. As we had paid such withholding individual income tax as of June 30, 2014, our other taxes payable decreased accordingly.

Salary and staff welfare payables. Salary and staff welfare payables represent mainly bonuses accrued at the relevant period end but yet to be paid at the end of Chinese lunar year, which is usually in January or February of the next year. The increase of salary and staff welfare payables from RMB24.6 million as of December 31, 2012 to RMB33.5 million as of December 31, 2013 was primarily due to more bonuses we declared in 2013 than 2012 to reward our employees for the improved profitability of our games.

Accrued expenses and liabilities. Accrued expenses and liabilities primarily consist of advertising and promotion fee that have accrued but not yet paid. The decrease of our accrued expenses and liabilities from RMB24.2 million as of December 31, 2012 to RMB15.6 million as of December 31, 2013 was primarily due to more Internet-related marketing channels with shorter credit terms that we utilized in 2013. The accrued expenses and liabilities further increased to RMB20.2 million as of June 30, 2014 primarily due to the increase of the advertising fee as a result of our utilization of new advertising channels.

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Advance received from license fee. Advance received from license fee represents certain license fee we received from third-party publishers of our games before the game we licensed to such publishers was commercialized in such markets. See “— Critical Accounting Policies — Revenue Recognition” above.

Advance received from sales of prepaid game cards. Advance received from sales of prepaid game cards represents payments of purchase prices for pre-paid game cards we receive from pre-paid game card distributors before the paying players activate the relevant cards. See “— Critical Accounting Policies — Revenue Recognition” above.

Advance from payment vendors. Advance from payment vendors represents payments we receive from prepaid game card distributors before the paying players recharge their accounts with us. See “Business — Game Distribution and Payment Collection Channels — Our Payment Collection Channels — Payments Through Pre-paid Game Cards”.

Amount due to related parties. See “— Related Party Transactions” below.

Deferred revenue

Deferred revenue primarily consists of (i) the proceeds from the sales of in-game virtual items of which the corresponding services have not yet been provided, and (ii) license fee, which is non-refundable, paid by overseas publishers of our games at the beginning of the relevant licensing period but not yet recognized as revenue, and technical support fee received but not yet recognized as revenue as relevant technical support services are not yet rendered. See “— Critical Accounting Policies — Revenue Recognition” above.

Cash Flows Analysis

The following table sets forth our cash flows for the periods indicated:

	Year Ended December 31,		For the Six Months Ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Net cash generated from operating activities	27,074	108,001	29,886	61,647
Net cash used in investing activities	(14,136)	(37,225)	(10,113)	(1,741)
Net cash (used in)/generated from financing activities	(1,781)	(6,202)	(6,202)	304,721
Net increase in cash and cash equivalents	11,157	64,574	13,571	364,627
Cash and cash equivalents at beginning of the year/period	36,070	47,226	47,226	111,777
Cash and cash equivalents at the end of the year/period	47,226	111,777	60,786	477,146

Cash Flow from Operating Activities

For the six months ended June 30, 2014, net cash generated from operating activities was RMB61.6 million, which primarily attributable to loss before income tax of RMB74.0 million, adjusted by (i) add-back of certain non-cash items, primarily including fair value change of Preferred Shares, share-based payments, depreciation of property, plant and equipment, amortization and impairment of intangible assets and issuance costs of Series C Preferred Shares, in a total amount of RMB165.5 million, (ii) an increase in trade and other payables of RMB16.7 million, and (iii) an increase in deferred revenue of RMB29.0 million; partially offset by (i) an increase in trade receivables of RMB30.0 million, and (ii) an increase in prepayments and other receivables of RMB34.7 million.

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In 2013, net cash generated from operating activities was RMB108.0 million, which primarily attributable to loss before income tax of RMB381.9 million, adjusted by (i) add-back of certain non-cash items, primarily including fair value change of Preferred Shares, share-based payments, depreciation of property, plant and equipment, amortization and impairment of intangible assets, other receivables write-off, and impairment charges on trade and other receivables, in a total amount of RMB493.4 million, (ii) an increase in deferred revenue of RMB22.1 million, and (iii) an increase in trade and other payables of RMB20.3 million; partially offset by (i) an increase in trade receivables of RMB33.3 million, (ii) an increase in prepayments and other receivables of RMB8.4 million, and (iii) gains on liquidation of subsidiaries of RMB1.5 million.

In 2012, net cash generated from operating activities was RMB27.1 million, which primarily attributable to loss before income tax of RMB122.2 million, adjusted by (i) add-back of certain non-cash items, primarily including fair value change of Preferred Shares, share-based payments, depreciation of property, plant and equipment, amortization and impairment of intangible assets, impairment charges on investment in joint ventures and impairment charges on trade and other receivables, in a total amount of RMB163.6 million, and (ii) an increase in trade and other payables of RMB20.1 million; partially offset by (i) a decrease in deferred revenue of RMB11.9 million, (ii) an increase in prepayments and other receivables of RMB10.3 million, (iii) the gain on disposal of subsidiaries of RMB5.6 million, and (iv) an increase in trade receivables of RMB4.6 million.

Cash Flow from Investing Activities

Our investing activities mainly relate to investments in short-term bank deposits, purchase of property, plant and equipment, which includes purchase of servers and furniture and office equipment, and leasehold improvements, and purchase of intangible assets, which includes trademarks relating to our games and intellectual properties we licensed from third party for game developing.

For the six months ended June 30, 2014, net cash used in investing activities was RMB1.7 million, which primarily consisted of (i) the purchase of property, plant and equipment of RMB4.7 million and (ii) the purchase of intangible assets of RMB2.1 million, which is partially offset by decrease in short-term bank deposits of RMB5.0 million.

In 2013, net cash used in investing activities was RMB37.2 million, which primarily consisted of (i) an increase in short-term bank deposits of RMB38.2 million, (ii) the purchase of property, plant and equipment of RMB5.4 million, and (iii) the purchase of intangible assets of RMB2.7 million.

In 2012, net cash used in investing activities was RMB14.1 million, which primarily consisted of (i) the purchase of property, plant and equipment of RMB6.9 million, (ii) the purchase of intangible assets of RMB5.6 million, and (iii) a decrease in cash and cash equivalents previously held by a subsidiary which was disposed in 2013 of RMB1.9 million.

Cash Flow from Financing Activities

Our financing activities primarily consist of the proceeds from the issuance of Preferred Shares, dividend payment by subsidiaries and acquisition of non-controlling interests.

For the six months ended June 30, 2014, net cash generated from financing activities was RMB304.7 million, representing net proceeds from issuance of Series C and Series D Preferred Shares.

In 2012 and 2013, net cash used in financing activities were RMB1.8 million and RMB6.2 million, respectively, representing dividends declared and paid by Shouyoutong to its non-controlling shareholders in 2012 and 2013 and consideration paid to acquire the remaining equity interest in Beijing Sanqiren from its non-controlling shareholders in 2013.

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CAPITAL EXPENDITURE AND COMMITMENTS

Capital Expenditure

Our capital expenditures comprised purchase of property, plant and equipment and purchase of intangible assets including trademarks and licenses for our licensed games and game development software purchased by us. The following table sets forth our capital expenditures for the periods indicated:

	Year ended December 31,		For the Six Months Ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Purchase of property, plant and equipment				
Furniture and office equipment	276	1,062	579	695
Server and other equipment	4,442	2,936	2,266	2,610
Motor vehicles	524	-	-	1,610
Leasehold improvements	30	445	-	-
Total of purchase of property, plant and equipment	5,272	4,443	2,845	4,915
Purchase of intangible assets				
Trademarks and licenses	6,000	3,980	1,480	7,000
Computer software	-	342	72	385
Total of purchase of intangible assets	6,000	4,322	1,552	7,385
Total	11,272	8,765	4,397	12,300

In 2014, our capital expenditure is expected to include purchase of servers and other equipment, acquisition of trademarks and licenses for additional licensed games, purchase of office equipment and leasehold improvements. As of October 31, 2014, we had no committed capital expenditure. We plan to fund our planned capital expenditure by cash flow from operating activities.

Capital Commitments

We had no material capital commitments as of December 31, 2012 and 2013 or June 30, 2014.

Operating lease commitments

We lease servers and office buildings under lease agreements, the terms of which are one to three years. The following table sets forth our aggregate minimum lease payments under such lease agreements as of the dates indicated.

	As of December 31,		As of
	2012	2013	June 30,
	RMB'000	RMB'000	2014
Not later than one year	4,540	3,272	3,831
Later than 1 year and not later than three years	2,751	-	3,956
Total	7,291	3,272	7,787

INDEBTEDNESS

As of June 30, 2014 and October 31, 2014, our Group did not have any outstanding bank and other borrowings and other indebtedness.

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Separately, our Group has recorded a financial liability relating to the Preferred Shares. For further details of the Preferred Shares, please refer to Note 21 to the Accountant's Report in Appendix I to the prospectus. Please also refer to the section headed "Summary — Recent Development" for further details of the expected fair value loss of the Preferred Shares in 2014.

Contingent liabilities and guarantees

As of June 30, 2014 and October 31, 2014, our Group did not have any unrecorded significant contingent liabilities, guarantees or any litigation against us.

Disclaimer

Save as disclosed herein and apart from intra-group liabilities, our Group did not have any outstanding loan capital, bank overdrafts and liabilities under acceptances or other similar indebtedness, debentures, mortgages, charges or loans, or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities or any covenant in connection therewith. Our Directors have confirmed that there has not been any material change in the indebtedness, capital commitments, foreign exchange liabilities and contingent liabilities of our Group since October 31, 2014 and up to the Latest Practicable Date.

KEY FINANCIAL RATIOS

The following table sets forth certain of our key financial ratios as of the dates or for the periods indicated:

	As of or for the year ended December 31,		As of or for the six
	2012	2013	months ended June 30, 2014
Current ratio (times) ⁽¹⁾	0.65	1.20	2.74
Quick ratio (times) ⁽²⁾	0.65	1.20	2.74
Adjusted profit margin (unaudited) ⁽³⁾	7.9%	16.4%	25.5%
Adjusted EBITDA margin (unaudited) ⁽⁴⁾	11.9%	21.1%	27.8%

(1) Current assets as of a particular date divided by current liabilities as of the same date.

(2) Current assets less inventories as of a particular date and divided by current liabilities as of the same date.

(3) Adjusted profit for a particular period divided by revenue for the same period. For reconciliation of adjusted profit, a non-IFRS measure, to closest IFRS measures, please see "— Non-IFRS Measures."

(4) Adjusted EBITDA for a particular period divided by revenue for the same period. For reconciliation of adjusted EBITDA, a non-IFRS measure, to closest IFRS measures, please see "— Non-IFRS Measures."

Current Ratio

Our current ratio increased during the Track Record Period primarily due to increases in our cash and cash equivalents and short-term bank deposits.

Quick Ratio

As we did not have inventories during the Track Record Period, our quick ratio was the same as current ratio. See "— Current Ratio" above.

Adjusted profit margin and Adjusted EBITDA margin

Our adjusted profit margin and adjusted EBITDA margin both improved during the Track Record Period, primarily due to the improved profitability of our games.

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WORKING CAPITAL

Taking into account the internal resources available to the Group, including cash flow from operating activities and the estimated net proceeds from the Global Offering, after due and careful enquiry, our Directors are of the view that the Group has sufficient available working capital for our present requirements for at least the next 12 months from the date of this prospectus.

QUALITATIVE AND QUANTITATIVE DISCLOSURE ABOUT MARKET RISKS

In the ordinary course of our business, we are exposed to various market risks, including foreign exchange risk, interest rate risk and price risk, credit risk, concentration risk and liquidity risk. Our risk management strategy aims to minimize the potential adverse effects of such risks on our financial performances.

Foreign Exchange Risk

The payments we receive from Apple Inc.'s App Store, as a distribution channel of our mobile games, are denominated in U.S. dollars. We also generate licensing revenue and technical support revenue from third-party publishers of our games in countries and regions outside China. As a result, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the U.S. dollars. We currently do not hedge transactions undertaken in foreign currencies. As of December 31, 2012 and 2013 and June 30, 2014, we did not have significant exchange risk from such transactions.

Interest Rate Risk

We are exposed to interest rate risk due to the Preferred Shares we issued, the valuation of which is affected by market interest rate. Our Directors have used the discounted cash flow method to determine the underlying equity value of our Company and adopted equity allocation method to determine the fair value of the Preferred Shares. See “— Critical Accounting Policies — Preferred Shares” above.

Other than the interest rate risk relating to the Preferred Shares, our Directors are of the opinion that other interest rate risk, such as interest rate risk on bank deposits, was not material to our Group and our Company.

Price Risk

We are exposed to price risk due to the Preferred Shares, the changes in fair value of which are recognized through profit or loss. The fair value of Preferred Shares is affected by changes in our Group's market value. We are not exposed to commodity price risk.

If our Group's equity value had increased/decreased by 10% with all other variables held constant, loss before income tax for the year ended December 31, 2012 and 2013 and the six months ended June 30, 2014 would have been approximately RMB12,801,000 higher/RMB12,684,355 lower, RMB49,618,500 higher/RMB49,549,000 lower and RMB46,933,000 higher/ RMB46,651,100 lower, respectively.

Credit Risk

We are exposed to credit risk in relation to our cash and deposits and short-term bank deposits placed with banks and financial institutions, trade receivables, and other receivables. The carrying amounts of each class of the above financial assets represent our maximum exposure to credit risk in relation to financial assets.

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For our bank deposits, we mainly transact with state-owned and other reputable financial institutions in the PRC and reputable international financial institutions outside of the PRC. There has been no recent history of default in relation to these financial institutions.

A significant portion of trade receivables was due from our game distribution platforms and third-party payment vendors. If the business relationship with these game distribution platforms and third-party payment vendors is terminated or scaled back, or if game distribution platforms and third-party payment vendors change the terms of the agreements with us, or if they experience financial difficulties in paying us, our trade receivables might be adversely affected in terms of recoverability. To manage this risk, we maintain frequent communications with the game distribution platforms and third-party payment vendors to ensure effective credit control. In view of the history of cooperation with game distribution platforms and third-party payment vendors and the sound collection history of receivables due from them, our Directors believe that the credit risk inherent in our outstanding trade receivable balances due from game distribution platforms and third-party payment vendors is low.

For other receivables, our management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. Our Directors believes that there is no material credit risk inherent in our outstanding balance of other receivables.

Concentration Risk

We do not have any customer whose revenue individually represents greater than 10% of our total revenue in 2012 and 2013 and the six months ended June 30, 2013 and 2014. Our revenue generated from sales of in-game virtual items through two third-party distribution channels represented 11%, 31%, 26% and 34% of our total revenue in 2012, 2013 and the six months ended June 30, 2013 and 2014, respectively, and our trade receivables from such distribution channels represented 14%, 46% and 29% of our trade receivables balances as of December 31, 2012 and 2013 and June 30, 2014, respectively.

Liquidity Risk

We aim to maintain sufficient cash and cash equivalents.

The table below sets forth our Group's non-derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	<u>Less than 1 year</u> RMB'000	<u>Between 1 and 2 years</u> RMB'000	<u>Between 2 and 5 years</u> RMB'000	<u>Total</u> RMB'000
At December 31, 2012				
Trade and other payables (excluding advance, salary and staff welfare payables and other taxes payable)	33,753	-	-	33,753
At December 31, 2013				
Trade and other payables (excluding advance, salary and staff welfare payables and other taxes payable)	37,119	-	-	37,119
At June 30, 2014				
Trade and other payables (excluding advance, salary and staff welfare payables and other taxes payable)	75,920	-	-	75,920

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As of December 31, 2012 and 2013 and June 30, 2014, Preferred Shares were classified as non-current liability because we believe that we do not have obligation to settle the liability arising from the redemption right granted to some of the holders of the Preferred Shares, within 12 months after the end of each reporting period. We recognize the hybrid Preferred Shares at fair value through profit or loss and accordingly, Preferred Shares are managed on a net-fair value basis rather than by maturity date.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As of the Latest Practicable Date, we had not entered into any off-balance sheet transactions.

DIVIDEND POLICY

We are a holding company incorporated in the Cayman Islands. We rely on payments made from Linekong Entertainment to Beijing Linekong Online, our wholly-owned PRC subsidiary, pursuant to the Contractual Arrangements. Certain payments from Linekong Entertainment to Beijing Linekong Online are subject to PRC taxes. In addition, PRC laws and regulations require that dividends of a PRC company, such as Beijing Linekong Online, be paid only out of accumulated profits, if any, as determined in accordance with PRC accounting standards, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including IFRS. In addition, PRC laws and regulations require a foreign-invested enterprise, such as Beijing Linekong Online, to set aside at least 10% of its after-tax profits calculated based on PRC accounting standards each year, if any, to fund certain statutory reserves, which may not be distributed as cash dividends. Further, Beijing Linekong Online may also allocate a portion of its after-tax profits, as determined by its board of directors, to its staff welfare and bonus funds which may not be distributed to us. In addition, payments and distributions from our subsidiaries may be restricted if any of them incur losses or debts or as a result of any restrictive covenants in the instruments governing the debt or other agreements that our subsidiaries may enter into the future. Any dividends paid by Beijing Linekong Online to us will be subject to a withholding tax at a rate of up to 10.0%, provided that our Company is not considered to be a PRC tax resident enterprise.

Our Company has not declared or paid any dividend in the history. Certain subsidiaries of Linekong Entertainment declared and paid dividends of approximately RMB8.9 million and RMB21.0 million to their then shareholders in 2012 and 2013, respectively, of which RMB1.8 million and RMB4.2 million was paid to non-controlling shareholders. You should note that historical dividend distributions are not indicative of our future dividend distribution policy. Furthermore you should note that as of June 30, 2014, our Company and our Group (on a consolidated basis) had accumulated loss of RMB748.1 million and RMB847.1 million, respectively, and that for the year ending December 31, 2014, we expect to recognize fair value loss of preferred shares in the range of RMB157.2 million to RMB558.0 million. Accordingly, despite the fact that under Cayman Companies Law, dividends may be declared or paid out of profits and reserves of the Company lawfully available for distribution, including share premium, we may not be able to and we currently have no plan to declare or pay any dividends in the near future and intend to retain most, if not all, of our available funds and any future earnings to operate and expand our business. Going forward, we will re-evaluate our dividend policy in light of our financial position and the prevailing economic climate and other factors that our Board deems relevant. The payment and the amount of any future dividends will be at the discretion of our Board of Directors and will also depend on factors such as our results of operations, cash flows, capital requirements, general financial condition, contractual restrictions, future prospects and other factors that our Board of Directors deem relevant.

After completion of the Global Offering, if a dividend is declared, our Shareholders will be entitled to receive dividends that we declare and we expect to pay such dividends, if any, in Hong Kong dollars. Any declaration and payment as well as the amount of dividends will be subject to our Articles and the Cayman Companies Law.

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DISTRIBUTABLE RESERVES

As of June 30, 2014, we did not have any distributable reserves.

LISTING EXPENSES

As of June 30, 2014, we had incurred expenses in connection with the Global Offering of RMB15.2 million, out of which RMB11.5 million were charged to the consolidated statements of comprehensive income and RMB3.7 million was recorded as prepayment and will be deducted from the Group's equity upon the Global Offering. We currently expect to incur further expenses amounting to approximately RMB66.3 million, including the underwriting commission in relation to the New Shares, estimated based on an assumed Offer Price of HK\$11.45 per Offer Share, being the mid-point of the Offer Price range stated in this prospectus, until the completion of the Global Offering, out of which approximately RMB30.4 million will be charged to the consolidated statements of comprehensive income for the year ending December 31, 2014 and approximately RMB35.9 million will be deducted from the Group's equity upon the Global Offering. The Selling Shareholders shall bear, and be responsible for the payment of, all underwriting commission, incentive fee (if any), the SFC transaction levy and the Stock Exchange trading fee payable by the Selling Shareholders arising from the sale of the Sale Shares. In addition, the Over-allotment Option Grantors shall bear, and be responsible for the payment of, all underwriting commission, incentive fee (if any), the SFC transaction levy and the Stock Exchange trading fee payable by the Over-allotment Option Grantors arising from the sale of the Shares to be sold pursuant the exercise, if any, of the Over-allotment Option. Other listing expenses primarily represent the professional fees incurred as a result of services provided to our Group and therefore, it is determined that the Selling Shareholders and the Over-allotment Option Grantors shall not bear these other listing expenses. Our Directors do not expect expenses to be incurred in connection with the Global Offering after the Track Record Period to have a material and adverse impact on our financial results for the year ending December 31, 2014.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2014 and based on the consolidated net tangible liabilities attributable to shareholders of our Company as of June 30, 2014 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

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This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of our Group had the Global Offering been completed as of June 30, 2014 or any future date.

	Audited consolidated net tangible liabilities attributable to shareholders of the Company as of June 30, 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact to consolidated net tangible assets upon the conversion of the Series A, Series B, Series C and Series D Preferred Shares ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
		(RMB '000)			(RMB) ⁽⁴⁾	(HK\$) ⁽⁶⁾
Based on the Offer Price of						
HK\$9.80 per Share	(736,379)	508,093	1,151,072	922,786	2.50	3.16
Based on the Offer Price of						
HK\$13.10 per Share	(736,379)	692,574	1,151,072	1,107,267	2.99	3.78

Notes:

- (1) The audited consolidated net tangible liabilities attributable to shareholders of the Company as of June 30, 2014 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net tangible liabilities attributable to shareholders of the Company as of June 30, 2014 of RMB723.5 million with an adjustment for the intangible assets as of June 30, 2014 of RMB12.9 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$9.80 and HK\$13.10 per Share, being the lower end to higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by our Company.
- (3) Upon the Listing, 71,111,120 Series A Preferred Shares, 42,454,400 Series B Preferred Shares, 24,905,480 Series C Preferred Shares (after the Share Subdivision) and 14,793,523 Series D Preferred Shares will be automatically converted into our Shares on a one-to-one basis under which the carrying amounts of the Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares recorded as a liability of our Company will be transferred to our Company's equity.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note (2) and (3) above and on the basis that 369,838,464 Shares are in issue, assuming the Global Offering had been completed on June 30, 2014 but takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue or repurchase Shares as described in the section headed "Share Capital", or any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of our Group entered into subsequent to June 30, 2014.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.79139. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

RELATED PARTY TRANSACTIONS

Contractual Arrangements with Linekong Entertainment and its Shareholders

See the section headed "Contractual Arrangements" in this prospectus.

Transactions with joint ventures

The amount due from each of Linekong Sibite and Chengdu Juli Internet Technology Co. Ltd. ("Chengdu Juli") represents the amount advanced to each of these companies in support of their online game development. As of June 30, 2014, amount due from Linekong Sibite was RMB2.5 million and

FINANCIAL INFORMATION

there was no outstanding amount due from Chengdu Juli. Linekong Sibite was originally a subsidiary of the Group. In November 2012, we transferred 48% equity interest in Linekong Sibite to employees of Linekong Sibite to incentivize them to improve the business of the company and, as a result, we lost our sole control over Linekong Sibite and it ceased to be a subsidiary of the Group. All of the advances to Linekong Sibite by the Group were made when Linekong Sibite was still a subsidiary of the Group. In November 2014, Linekong Sibite was dissolved and deregistered and we wrote off the entire amount due from Linekong Sibite. We will not make any further advances to Linekong Sibite or Chengdu Juli in the future.

We also licensed *Unparalleled Devil* (魔神無雙) developed by Chengdu Juli Internet Technology Co. Ltd. and paid content fee to it. We also cooperated with Linekong Sibite (Beijing) Technology Co., Ltd. and developed *Flying West* (大笑西遊), of which we own the intellectual property right but also paid content fee to Linekong Sibite (Beijing) Technology Co., Ltd. For the year ended December 31, 2012, 2013 and six months ended June 30, 2014, content fee paid to Linekong Sibite (Beijing) Technology Co., Ltd. and Chengdu Juli Internet Technology Co. Ltd. were RMB2.3 million, RMB1.5 million and RMB0.06 million, respectively. As of June 30, 2014, amount due to Linekong Sibite (Beijing) Technology Co., Ltd. and Chengdu Juli Internet Technology Co. Ltd. was RMB2.2 million.

Such transactions do not constitute connected transaction under the GEM Listing Rules.

Transactions with our Founders

We provided loans to Mr. Wang Feng and Ms. Liao Mingxiang for personal use in 2012 and 2013 and such loans were fully repaid before June 30, 2014. In the first six months of 2014, we paid withholding tax of RMB1.0 million on behalf of Mr. Wang Feng and Ms. Liao Mingxiang in relation to the RSUs we granted to them in the first six months and such amount was recorded as amount due from our Founders as of June 30, 2014. Mr. Wang Feng and Ms. Liao Mingxiang have undertaken to settle such amount with us in full prior to Listing.

Our Directors believe that the related party transactions described above were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties, and such transactions will not distort our track record results or make the historical results not reflective of our future performance.

NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, up to the date of this prospectus, there has been no material adverse change in our financial or trading position or prospects since June 30, 2014, being the date on which our latest audited consolidated financial statements were prepared, and there is no event since June 30, 2014 which would materially affect the information as set out in the Accountant's Report in Appendix I to this prospectus.

DISCLOSURE UNDER CHAPTER 17 OF THE GEM LISTING RULES

Our Directors confirm that, except as otherwise disclosed in this prospectus, as of the Latest Practicable Date, there was no circumstance that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

BUSINESS OBJECTIVES AND STRATEGIES

Our objectives are to continuously develop and publish more and a wider variety of high-quality online games to bring innovative and joyful game experience to our players, thereby cultivating a growing loyal player base, building a high-quality content-rich game platform popular among players, and make ourselves a respected leader in the online game industry. To achieve such objectives, we intend to implement our business strategies. Please refer to the section headed “Business — Our strategies” for details of our business strategies.

IMPLEMENTATION PLANS

The implementation plans set forth below are based on certain bases and assumptions as set out in paragraph headed “Bases and assumptions” in this section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out in the section headed “Risk Factors” in this Prospectus. There is no assurance that our business objectives will be achieved or our business plans will be implemented according to the estimated time frame or at all.

We will endeavor to complete the following main tasks and achieve the milestone events during the period from the Latest Practicable Date to December 31, 2016:

From the Latest Practicable Date to December 31, 2014

Development of new games, on-going optimization and update of existing games, and purchase of intellectual properties for popular entertainment franchises	<ul style="list-style-type: none">• Start closed beta testing of <i>DT All Star</i> and <i>Warrior Crash</i>• Start development of console version of <i>Sword of Heroes</i>
License and publishing of high-quality games from third-party developers	<ul style="list-style-type: none">• Commercialize <i>Crazy Myth</i>
Enhance and promote our own distribution platform, 8864.com	<ul style="list-style-type: none">• Make our OKSDK software freely available to third-party game developers
Development of our own game development tools, and potential purchase of commercialized game engines developed by third parties	<ul style="list-style-type: none">• Complete development of our software tools package 1.0
Expand our business in overseas markets	<ul style="list-style-type: none">• Publish additional games in South Korea, Hong Kong and Macau through our own subsidiaries• Initiate market research on Southeast Asian online game markets

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

From January 1, 2015 to June 30, 2015

<p>Development of new games, on-going optimization and update of existing games, and purchase intellectual properties for popular entertainment franchises</p>	<ul style="list-style-type: none"> • Start development of <i>The White Haired Witch</i>, <i>Excalibur II</i> and <i>The Legend of Zhen Huan II</i> • Commercialize <i>The Legend of Zhen Huan</i>, <i>DT All Star</i> and <i>Warrior Crash</i> • Cooperate with online television operators to launch console version of <i>Sword of Heroes</i> • Enter into additional license agreements for the rights to adapt popular entertainment franchises into online games • Recruit additional talented game development personnel
<p>License and publishing of high-quality games from third-party developers</p>	<ul style="list-style-type: none"> • Commercialize <i>The Monkey King</i>, <i>I Am Playboy</i>, <i>One Hundred Thousand Bad Jokes</i> and <i>Sharpshooter</i> • Commercialize at least another three licensed games • Recruit additional talented game operating personnel
<p>Enhance and promote our own distribution platform, 8864.com</p>	<ul style="list-style-type: none"> • Recruit additional talented personnel • Increase spending on promotion of 8864.com
<p>Development of our own game development tools, and potential purchase of commercialized game engines developed by third parties</p>	<ul style="list-style-type: none"> • Complete development of our software tools package 2.0 • Enter into license agreements to acquire more foundational development tools from third parties • Recruit additional talented software engineers
<p>Expand our business in overseas markets</p>	<ul style="list-style-type: none"> • Initiate the process for establishing a presence in Southeast Asia based on and subject to our market research result • Initiate market research on the U.S. online game market

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

From July 1, 2015 to December 31, 2015

<p>Development of new games, on-going development, optimization and update of existing game, and purchase intellectual properties for popular entertainment franchises</p>	<ul style="list-style-type: none"> • Commercialize <i>The White Haired Witch</i> and <i>Excalibur II</i> • Commercialize at least another three self-developed games • Enter into additional license agreements for the rights to adapt popular entertainment franchises into online games
<p>License and publishing of high-quality games from third-party developers</p>	<ul style="list-style-type: none"> • Commercialize at least four licensed games • Enter into additional license agreements for the exclusive rights to publish third-party developed games
<p>Enhance and promote our own distribution platform, 8864.com</p>	<ul style="list-style-type: none"> • Increase spending on promotion of 8864.com • Improve infrastructure such as upgrading servers and increasing bandwidth
<p>Development of our own game development tools, and potential purchase of commercialized game engines developed by third parties</p>	<ul style="list-style-type: none"> • Complete development of our software tools package 3.0 • Enter into license agreements to acquire more foundational development tools from third parties
<p>Expand our business in overseas markets</p>	<ul style="list-style-type: none"> • Initiate the process for establishing a presence in the U.S. based on and subject to our market research result • Increase spending on promotional activities in Southeast Asia

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

From January 1, 2016 to June 30, 2016

<p>Development of new games, on-going development, optimization and update of existing game, and purchase intellectual properties for popular entertainment franchises</p>	<ul style="list-style-type: none"> • Commercialize <i>The Legend of Zhen Huan II</i> • Enter into additional license agreements for the rights to adapt popular entertainment franchises into online games
<p>License and publishing of high-quality games from third-party developers</p>	<ul style="list-style-type: none"> • Commercialize at least four licensed games • Enter into additional license agreements for the exclusive rights to publish third-party developed games
<p>Potential strategic acquisitions</p>	<ul style="list-style-type: none"> • Acquire or invest in companies in online game and related businesses
<p>Enhance and promote our own distribution platform, 8864.com</p>	<ul style="list-style-type: none"> • Maintain spending on promotion of 8864.com
<p>Development of our own game development tools, and potential purchase of commercialized game engines developed by third parties</p>	<ul style="list-style-type: none"> • Complete development of our software tools package 4.0 • Enter into license agreements to acquire more foundational development tools from third parties
<p>Expand our business in overseas markets</p>	<ul style="list-style-type: none"> • Increase spending on promotional activities in the U.S. to expand our business

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

From July 1, 2016 to December 31, 2016

Development of new games, on-going development, optimization and update of existing game, and purchase intellectual properties for popular entertainment franchises	<ul style="list-style-type: none"> • Commercialize at least three self-developed games • Enter into additional license agreements for the rights to adapt popular entertainment franchises into online games
License and publishing of high-quality games from third-party developers	<ul style="list-style-type: none"> • Commercialize at least four licensed games • Enter into additional license agreements for the exclusive rights to publish third-party developed games
Potential strategic acquisitions	<ul style="list-style-type: none"> • Acquire or invest in companies in online game and related businesses
Enhance and promote our own distribution platform, 8864.com	<ul style="list-style-type: none"> • Maintain spending on promotion of 8864.com
Development of our own game development tools, and potential purchase of commercialized game engines developed by third parties	<ul style="list-style-type: none"> • Complete development of our software tools package 5.0 • Enter into license agreements to acquire more foundational development tools from third parties
Expand our business in overseas markets	<ul style="list-style-type: none"> • Explore opportunities for expansion of our business in other parts of the world

BASES AND ASSUMPTIONS

Potential investors should note that our ability to achieve our business objectives as well as our market and growth potential depends on a number of assumptions, in particular:

- there will be no material changes in the existing political, legal, fiscal, social or economic conditions in the PRC or in any other places in which we carry on our business or will carry on our business;
- there will be no material changes in the prospects of online game industry in general and the mobile game industry in particular;
- there will be no material changes in industry trends and player preferences due to technology advancement or otherwise that render mobile games or other formats of online games operated by us obsolete;
- we will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;
- there will be no material changes in the existing laws (whether in the PRC or any other part of the world), policies or industry or regulatory treatment relating to us, or in the political, economic or market conditions in the places in which we operate or will operate;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- there will be no change in the effectiveness of the licenses and permits obtained by us;
- there will be no material changes in the bases or rates of taxation in the PRC or in any other places in which we operate or will operate;
- there will be no significant changes in our business relationship with our various business partners;
- there will be no significant changes in our business relationship with our major customers;
- there will be no material changes in the funding required for each of the scheduled achievements as outlined under the paragraph headed “Implementation plans” above in this section; and
- we will not be materially affected by the risk factors as set out under the section headed “Risk Factors” in this prospectus.

USE OF PROCEEDS

We estimate the net proceeds of the Global Offering which we will receive, assuming an Offer Price of HK\$9.80 per Offer Share (being the low end of the Offer Price range stated in this prospectus), will be approximately HK\$627.5 million, after deduction of underwriting fees and commissions and estimated expenses payable by us in connection with the Global Offering.

If the Offer Price is fixed at HK\$11.45 per Offer Share (being the mid-point of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$116.6 million.

If the Offer Price is fixed at HK\$13.10 per Offer Share (being the high end of the Offer Price range stated in this prospectus), we will receive additional net proceeds of approximately HK\$233.1 million.

We intend to use the net proceeds of the Global Offering for the following purposes:

- approximately 25%, or HK\$156.9 million, will be used for developing and operating existing and new self-developed games and purchasing intellectual properties for popular entertainment franchises;
- approximately 25%, or HK\$156.9 million, will be used for licensing more high-quality games with different genres and themes from Chinese and overseas game developers and the operation of such games;
- approximately 15%, or HK\$94.1 million, will be used for potential strategic acquisitions or investment in companies in online game and related businesses, as of the Latest Practicable Date, we have not identified any specific suitable target of acquisition;
- approximately 10%, or HK\$62.7 million, will be used for further enhancement and promotion of our own distribution platform, 8864.com;
- approximately 10%, or HK\$62.7 million, will be used for investing in our technology platform, including developing and improving our game development tools and potential purchase of commercialized game engines developed by third parties
- approximately 10%, or HK\$62.7 million, will be used for our overseas expansions, including enhancing our publishing business in South Korea and expanding our business into more countries and regions;

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

- the remaining amount of approximately HK\$31.5 million, representing not more than 5% of the net proceeds, will be used to provide funding for our working capital and other general corporate purposes.

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level compared to the low end of the proposed Offer Price range.

To the extent that the net proceeds are not immediately applied to the above purposes and to the extent permitted by applicable law and regulations, we intend to deposit the net proceeds into short-term demand deposits and/or money market instruments. We will make an appropriate announcement if there is any change to the above proposed use of proceeds.

We estimate that the net proceeds to be received by the Selling Shareholders from the sale of Sale Shares (after deduction of underwriting commissions payable by the Selling Shareholders in relation to the Global Offering, and assuming an Offer Price of HK\$11.45 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is not exercised) are approximately HK\$404.4 million.

We estimate that the net proceeds to be received by the Selling Shareholders and the Over-allotment Option Grantors from the sale of the Sale Shares and Shares to be sold pursuant to the Over-allotment Option (after deduction of underwriting commissions payable by the Selling Shareholders and the Over-allotment Option Grantors in relation to the Global Offering, and assuming an Offer Price of HK\$11.45 per Offer Share, being the mid-point of the Offer Price range in this prospectus and the Over-allotment Option is fully exercised) are approximately HK\$586.4 million. We will not receive any of the proceeds from the Sale Shares or Shares to be sold pursuant to the Over-allotment Option.

STATEMENT OF BUSINESS OBJECTIVES AND USE OF PROCEEDS

The implementation of business strategies to achieve our business objectives from the Latest Practicable Date up to the year ending December 31, 2016 will be funded by the net proceeds from the Global Offering and we intend to allocate the net proceeds from the Global Offering as follows:

	From the Latest Practicable Date to		For the six months ending			Total	% of net proceeds
	December 31, 2014	June 30, 2015	December 31, 2015	June 30, 2016	December 31, 2016		
(HK\$ in millions except percentages)							
Self-developed games:							
Develop and operate existing and new games	17.9	18.9	26.0	32.5	37.3	132.6	21.1%
Purchase intellectual properties for popular entertainment franchises	2.2	5.4	5.4	5.9	5.4	24.3	3.9%
<i>Subtotal:</i>	<u>20.1</u>	<u>24.3</u>	<u>31.4</u>	<u>38.4</u>	<u>42.7</u>	<u>156.9</u>	<u>25.0%</u>
Licensed games:							
License high-quality games from third-party developers and operate such games	17.3	22.2	31.4	39.5	46.5	156.9	25.0%
Potential strategic acquisitions:							
	-	-	-	37.6	56.5	94.1	15.0%
Distribution platform enhancement:							
Enhance and promote our own distribution platform, 8864.com ...	6.3	12.5	12.5	15.7	15.7	62.7	10.0%
Technology upgrade:							
Develop and improve our own game development tools	7.5	10.0	10.0	10.0	12.7	50.2	8.0%
Potential purchase of commercialized game engines developed by third parties	-	2.5	2.5	3.1	4.4	12.5	2.0%
<i>Subtotal:</i>	<u>7.5</u>	<u>12.5</u>	<u>12.5</u>	<u>13.1</u>	<u>17.1</u>	<u>62.7</u>	<u>10.0%</u>
Overseas expansion:							
Expand our business in overseas markets	6.6	13.1	20.0	16.7	6.3	62.7	10.0%
Working capital and other general corporate purposes:							
	1.6	4.7	6.3	7.9	11.0	31.5	5.0%
Total:	<u><u>59.4</u></u>	<u><u>89.3</u></u>	<u><u>114.1</u></u>	<u><u>168.9</u></u>	<u><u>195.8</u></u>	<u><u>627.5</u></u>	<u><u>100.0%</u></u>

The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher level compared to the low end of the proposed Offer Price range.

UNDERWRITING

HONG KONG UNDERWRITERS

Citigroup Global Markets Asia Limited

Macquarie Capital Securities Limited

CCB International Capital Limited

UNDERWRITING ARRANGEMENTS AND EXPENSES

Hong Kong Public Offering

Hong Kong Underwriting Agreement

The Hong Kong Underwriting Agreement was entered into on December 8, 2014. Pursuant to the Hong Kong Underwriting Agreement, we are offering 11,096,000 Hong Kong Offer Shares (subject to reallocation) for subscription by the public in Hong Kong on the terms and subject to the conditions in this prospectus and the Application Forms at the Offer Price.

Subject to the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering as mentioned herein, any Shares which may be issued upon the exercise of options to be granted under the Share Option Scheme and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriters have agreed, severally but not jointly, to subscribe or procure subscribers to subscribe for the Hong Kong Offer Shares which are being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions set out in this prospectus, the Application Forms and the Hong Kong Underwriting Agreement. If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators, for themselves and on behalf of the Underwriters, the Global Offering will not proceed.

The Hong Kong Underwriting Agreement is conditional on and subject to, amongst other things, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

Grounds for Termination

The Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) shall be entitled to terminate the Hong Kong Underwriting Agreement, by notice in writing to our Company, with immediate effect, if prior to 8:00 a.m. on the Listing Date:

- (a) there develops, occurs, exists or comes into force:
 - (i) any new law or regulation or any change in existing law or regulation, or any change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, the Cayman Islands, the British Virgin Islands, the United States, any member of the European Union, Japan and South Korea (each a “Relevant Jurisdiction”); or
 - (ii) any change or development involving a prospective change or development, or any event or series of events resulting in, or likely to result in, or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets, or any monetary or trading settlement system or matters and/or disaster (including, without limitation a change in the system under which the value of the Hong Kong currency is

UNDERWRITING

linked to that of the currency of the United States or a devaluation of the Hong Kong dollars or the Renminbi against the currency of any of the United States, the European Union, the United Kingdom or Japan in or affecting any Relevant Jurisdiction); or

- (iii) any event or series of events in the nature of force majeure (including, without limitation, acts of government, strikes, lock-outs, fire, explosion, flooding, civil commotion, acts of war, epidemic (including SARS, H5N1, H1N1 or such related/ mutated forms), any local, national, regional or international outbreak or escalation of hostilities (whether or not war is declared), calamity, crisis, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency or war, riot, economic sanctions or acts of God) in or affecting any Relevant Jurisdiction; or
- (iv) (A) any suspension or limitation on trading in shares or securities generally on the Stock Exchange, the New York Stock Exchange, the Nasdaq National Market, the London Stock Exchange, the Tokyo Stock Exchange or (B) a general moratorium on commercial banking activities in New York, London, the Cayman Islands, Hong Kong, Japan or the PRC declared by the relevant authorities, or a material disruption in commercial banking activities or foreign exchange trading or securities settlement or clearance services in or affecting any Relevant Jurisdiction; or
- (v) any adverse change or development or prospective adverse change in taxation or exchange controls, currency exchange rates or foreign investment regulations in any Relevant Jurisdiction materially adversely affecting an investment in the Shares; or
- (vi) any adverse change or development involving a prospective adverse change on the condition, financial or otherwise, or in the earnings, business affairs, business prospects or trading position of the Group; or
- (vii) any executive Director being charged with an indictable offense or prohibited by operation of law or otherwise disqualified from taking part in the management of a company; or
- (viii) the commencement by any regulatory body of any public action against any executive Director in his or her capacity as such or an announcement by any regulatory body that it intends to take any such action; or
- (ix) a contravention by any member of the Group of a material provision of the Companies Ordinance or the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the companies law of Cayman Islands or the GEM Listing Rules; or
- (x) other than with the approval of the Joint Global Coordinators, the issue or requirement to be issued by the Company of a supplementary prospectus, Application Form, preliminary offering circular or final offering circular pursuant to the Companies Ordinance, the GEM Listing Rules or other applicable laws in circumstances where the matter to be disclosed is, in the sole opinion of the Joint Global Coordinators, materially adverse to the marketing for or implementation of the Global Offering; or
- (xi) any material adverse change in or any development involving a reasonably likely material adverse change in any of the risks set out in the section headed “Risk Factors” in this prospectus; or

UNDERWRITING

(xii) a petition is presented for the winding-up or liquidation of any member of the Group or any member of the Group makes any composition or arrangement with its creditors or enters into a scheme of arrangement or any resolution is passed for the winding-up of any member of the Group or a provisional liquidator, receiver or manager is appointed over all or part of the assets or undertaking of any member of the Group or anything analogous thereto occurs in respect of any member of the Group;

and which, in any such case and in the sole opinion of the Joint Global Coordinators (for themselves and on behalf of the other Hong Kong Underwriters),

(A) is or will be or is likely to be materially adverse to, or materially and prejudicially affect, the general affairs or the business or financial or trading or other condition or prospects of the Group taken as a whole; or

(B) has or will have or is likely to have a material adverse effect on the success of the Global Offering and/or make it impracticable, inexpedient or inadvisable for any part of the Hong Kong Underwriting Agreement, the Hong Kong Public Offering or the Global Offering to be performed or implemented as envisaged; or

(C) makes or will or is likely to make it impracticable, inexpedient or inadvisable to proceed with or to market the Hong Kong Public Offering and/or the Global Offering or the delivery of the Offer Shares on the terms and in the manner contemplated by this prospectus; or

(b) there has come to the notice of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters):

(i) that any statement contained in this prospectus, the Application Forms, the formal notice and any announcements issued by the Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) was, when it was issued, or has become untrue, incorrect or misleading in any material respect, or any forecasts, estimates, expression of opinion, intention or expectation expressed in such documents are not in all material aspects, fair and honest and based on reasonable assumptions, when taken as a whole; or

(ii) any matter has arisen or has been discovered which would or might, had it arisen immediately before the date of this prospectus, not having been disclosed in this prospectus, constitutes a material omission therefrom; or

(iii) any of the warranties given by the Company and the Controlling Shareholders in the Hong Kong Underwriting Agreement is untrue or misleading or inaccurate in any material respect; or

(iv) any event, act or omission which gives or may give rise to any material liability of the Company pursuant to the indemnities given by the Company under the Hong Kong Underwriting Agreement; or

(v) any material breach of any of the obligations of the Company or the Controlling Shareholders under the Hong Kong Underwriting Agreement; or

(vi) any material adverse change or prospective material adverse change in the assets, liabilities, conditions, profits, losses, business, properties, results of operations, in the

UNDERWRITING

financial or trading position or prospects or performance of the Company and its subsidiaries taken as a whole; or

- (vii) any material litigation or claim being threatened or instigated against the Company or any of its subsidiaries; or
- (viii) any of the Reporting Accountant, Maples and Calder as the legal advisors of the Company on the Cayman Islands law, Fangda Partners as the legal advisors of the Company on PRC law and Analysys International as the industry consultant has withdrawn its respective consent to the issue of this prospectus with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears; or
- (ix) approval for the listing of, and permission to deal in, the Shares on the GEM is refused or not granted on or before the date of listing, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
- (x) the Company withdraws this prospectus or the Global Offering.

Undertakings by our Company to the Stock Exchange pursuant to the GEM Listing Rules

Pursuant to Rule 17.29 of the GEM Listing Rules, we have undertaken to the Stock Exchange that we will not issue any further Shares or securities convertible into equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the date on which our Shares commence dealing on the Stock Exchange (whether or not such issue of Shares or securities will be completed within six months from the commencement of dealing), except:

- (a) in certain circumstances prescribed by Rule 17.29 of the GEM Listing Rules; or
- (b) pursuant to the Global Offering (including the Over-allotment Option).

Undertakings by the Controlling Shareholders to the Stock Exchange Pursuant to the GEM Listing Rules

Pursuant to Rule 13.16A(1) of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that, except pursuant to the Global Offering (including the Over-allotment Option) or the Stock Borrowing Agreement, he/she/it shall not and shall procure that the relevant registered holder(s) (if any) shall not:

- (i) save as provided in Rule 13.18 of the GEM Listing Rules, in the period commencing on the date by reference to which disclosure of his/her/its shareholding is made in this prospectus and ending on the date which is six months from the Listing Date (the “First Six-Month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of our Shares in respect of which he/she/it is shown by this prospectus to be the beneficial owner (as defined in Rule 13.16A(2) of the GEM Listing Rules) (the “Relevant Securities”); and
- (ii) save as provided in Rule 13.18 of the GEM Listing Rules, in the period of six months commencing from the expiry of the period referred to in paragraph (i) above (the “Second Six-Month Period”), dispose of, or enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Relevant Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, the Controlling Shareholders would cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company.

UNDERWRITING

In addition, in accordance with Rule 13.19 of the GEM Listing Rules, each of the Controlling Shareholders has undertaken to the Stock Exchange and our Company that he/she/it will comply with the following requirements:

- (a) in the event that he/she/it pledges or charges any direct or indirect interest in the Relevant Securities in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, at any time during the First Six-Month Period and the Second Six-Month Period, he/she/it must inform the Company immediately thereafter, disclosing the details specified in Rules 17.43(1) to (4) of the GEM Listing Rules; and
- (b) having pledged or charged any interest in the Shares under (a) above, he/she/it must inform our Company immediately in the event that he/she/it becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of Shares affected.

Undertakings by our Company Pursuant to the Hong Kong Underwriting Agreement

Pursuant to the Hong Kong Underwriting Agreement, we have undertaken to each of the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, except pursuant to the Global Offering or any employee incentive schemes of any members of the Group, at any time during the First Six-Month Period and unless permitted by the Stock Exchange or otherwise in compliance with the GEM Listing Rules, we will not, and will procure that the members of our Group will not, without the prior written consent of the Joint Global Coordinators (on behalf of the Hong Kong Underwriters):

- (i) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create any mortgage, charge, pledge, lien or other security interest or any option, restriction, right of first refusal, right of pre-emption or other third party claim, right, interest or preference or any other encumbrance of any kind (“Encumbrance”) over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any shares or any other securities of other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other securities of our Company or any shares or any other securities of other members of our Group, as applicable); or
- (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of Shares or any other securities of our Company or any shares or other securities of other members of our Group, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to subscribe for or purchase, any Shares or any other securities of our Company or any shares or any other securities of other members of our Group, as applicable);
- (iii) enter into any transaction with the same economic effect as any transaction specified in (i) or (ii) above; or

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- (iv) offer to or agree to do any of the foregoing or announce any intention of our Company to enter into the transaction described in (i), (ii) or (iii) above;

in each case, whether any of the transactions specified in (i), (ii) or (iii) above is to be settled by delivery of the Shares or such other securities of our Company or shares or any other securities of other members of our Group, as applicable, or in cash or otherwise (whether or not such allotment or issue of the Shares or securities will be completed within the First Six-Month Period).

In the event that, at any time during the Second Six-Month Period, our Company enters into any of the transactions specified in (i), (ii) or (iii) above or offers to or agrees to or announces any intention to effect any such transaction, our Company shall take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in our Shares or any other securities of our Company.

Undertakings by the Controlling Shareholders pursuant to the Hong Kong Underwriting Agreement

Each of the Controlling Shareholders has undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, save as pursuant to the Global Offering (including pursuant to the exercise of the Over-allotment Option) or the Stock Borrowing Agreement, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the GEM Listing Rules:

- (i) he/she/it will not and, will procure that none of his/her/its respective close associates or companies controlled by him/her/it will, at any time during the First Six-Month Period, (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any pledge or charge (x) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or (y) pursuant to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, in each respective case not involving a change of legal ownership of such Shares other than on enforcement), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company, as applicable); or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company); or (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company or in cash or otherwise (whether or not the issue of Shares or such other securities will be completed within the First Six-Month Period);

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- (ii) he/she/it will not, and will procure that none of his/her/its respective close associates or companies controlled by him/her/it will, at any time during the Second Six-Month Period, enter into any of the transactions specified in paragraphs (i)(a), (b) or (c) above or offer to or agree to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction, the Controlling Shareholders collectively will cease to be a controlling shareholder (as defined in the GEM Listing Rules) of the Company; and
- (iii) until the expiry of the Second Six-Month Period, in the event that he/she/it enters into any of the transactions specified in paragraphs (i)(a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction, he/she/it will take all reasonable steps to ensure that any such transaction, offer, agreement or announcement will not create a disorderly or false market in the Shares or any other securities of our Company.

Without limiting the above, each of the Controlling Shareholders has further undertaken to each of our Company, the Joint Sponsors, the Joint Global Coordinators, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, he/she/it will, at any time during the First Six-Month Period and the Second Six-Month Period:

- (i) if he/she/it intends to create in favor of any third party any pledge or charge over any Shares or securities or interests in our Shares or securities of our Company beneficially owned by it, immediately inform our Company, the Joint Sponsors and the Joint Global Coordinators in writing of such pledge or charge together with the number of Shares or securities so pledged or charged prior to entering into such arrangement; and
- (ii) upon any indication received by him/her/it, either verbal or written, from any pledgee or chargee that any of the pledged or charged Shares or securities or interests in the Shares or securities of our Company will be disposed of, immediately inform our Company, the Joint Sponsors and the Joint Global Coordinators in writing of such indications.

Our Company agrees and undertakes to each of the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners, the Joint Lead Managers and the Hong Kong Underwriters that, upon receiving such information in writing from any of the Controlling Shareholders, it shall, as soon as practicable, publish an announcement giving details in relation to such information in accordance with the GEM Listing Rules.

Undertakings by the Pre-IPO Investors pursuant to the Lock-up Undertaking

Each of the Pre-IPO Investors has entered into a deed of lock-up undertaking in favor of our Company and the Joint Global Coordinators (the “Lock-up Undertaking”). Pursuant to the Lock-up Undertaking, each of the Pre-IPO Investors undertakes to our Company and the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) that, save as pursuant to the Global Offering, without the prior written consent of the Joint Global Coordinators (for themselves and on behalf of the Hong Kong Underwriters) and unless in compliance with the requirements of the GEM Listing Rules, at any time during the First Six-Month Period, it will not, and will procure that none of its respective close associates or companies controlled by it will:

- (a) sell, offer to sell, contract or agree to sell, mortgage, charge, pledge (other than any pledge or charge (x) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan or (y) pursuant

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to any right or waiver granted by the Stock Exchange pursuant to Rule 13.18(4) of the GEM Listing Rules, in each respective case not involving a change of legal ownership of such Shares other than on enforcement), hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, or otherwise transfer or dispose of or create an Encumbrance over, or agree to transfer or dispose of or create an Encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares or any other securities of our Company or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company, as applicable) held by such investor as at the date immediately before the commencement of the First Six-Month Period; or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Shares or any other securities of our Company or any interest therein (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or any other securities of our Company) held by such investor as at the date immediately before the commencement of the First Six-Month Period; or
- (c) enter into any transaction with the same economic effect as any transaction specified in (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in (a), (b) or (c) above, in each case, whether any of the foregoing transactions is to be settled by delivery of the Shares or such other securities of our Company held by such investor as at the date immediately before the commencement of the First Six-Month Period or in cash or otherwise (whether or not the issue of Shares or such other securities of our Company will be completed within the First Six-Month Period).

The above restrictions shall not apply to any sale of any Shares purchased or acquired by a Pre-IPO Investor in open market transactions on the Stock Exchange after the Listing Date.

Notwithstanding the above restrictions, each pre-IPO Investor may transfer the Shares to any of its affiliates, whether directly or indirectly, provided that, such affiliate(s) shall enter into a deed of lock-up undertaking in the form and substance same as the Lock-up Undertaking for a period ending on the expiry of the First Six-Month Period.

Each of the Pre-IPO Investors acknowledges that our Company and the Joint Global Coordinators are relying upon the Lock-up Undertaking in proceeding with the Global Offering. Each of the Pre-IPO Investors now has, and for the duration of the First Six-Month Period will have, good and marketable title to the Shares held by such investor as at the date immediately before the commencement of the First Six-Month Period, free and clear of any Encumbrance. Each of the Pre-IPO Investors also agrees and consents to our Company placing restrictive legends on the relevant share certificates and entering “stop transfer” instructions with the Company’s transfer agent and registrar against the transfer of its Shares except in compliance with the above restrictions.

Indemnity

We have agreed to indemnify the Joint Global Coordinators, the Joint Bookrunners, the Joint Sponsors, the Joint Lead Managers and the Hong Kong Underwriters for certain losses which they may

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suffer, including, among other matters, losses incurred arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach by us and the Controlling Shareholders of the Hong Kong Underwriting Agreement.

Commission and Expenses

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriters will receive an underwriting commission of 3.5% of the aggregate Offer Price payable for the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering. For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, if any, our Company will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the Joint Global Coordinators and the relevant International Underwriters (but not the Hong Kong Underwriters). In addition, at the discretion of our Company, any one or more of the Joint Global Coordinators may also receive an incentive fee up to 1% of the aggregate Offer Price.

Assuming the Over-allotment Option is not exercised and based on an Offer Price of HK\$11.45 (being the mid-point of our Offer Price range of HK\$9.80 to HK\$13.10 per Offer Share), the aggregate commissions and maximum incentive fees, together with the Stock Exchange listing fees, the Stock Exchange trading fee of 0.005% per Share, SFC transaction levy of 0.0027% per Share, legal and other professional fees and printing and other expenses relating to the Global Offering, are estimated to be approximately HK\$122.1 million. The Company, the Selling Shareholders and the Over-allotment Option Grantors shall each bear, and be responsible for the payment of, all underwriting commission, incentive fee (if any), the SFC transactions levy and the Stock Exchange trading fee arising from the offer of the New Shares, the sale of the Sale Shares and the sale of the Shares to be sold pursuant to the exercise of the Over-allotment Option (if any), respectively. Other listing expenses, which primarily represent the professional fees incurred as a result of services provided to our Group, will be paid by us.

The commission and expenses were determined after arm's length negotiation between the Company and the Hong Kong Underwriters or other parties by reference to the current market conditions.

Hong Kong Underwriters' Interests in Our Company

Save for the obligations under the Hong Kong Underwriting Agreement, none of the Hong Kong Underwriters has any shareholding or beneficial interests in any member of our Group or has any right or option (whether legally enforceable or not) to subscribe for or purchase or to nominate persons to subscribe for or purchase securities in any member of our Group.

The International Offering

In connection with the International Offering, it is expected that we, the Controlling Shareholders, the Selling Shareholders and the Over-allotment Option Grantors, will enter into the International Underwriting Agreement with the Joint Global Coordinators and the International Underwriters on or about December 12, 2014. Under the International Underwriting Agreement and subject to the Over-allotment Option, the International Underwriters would, subject to certain conditions set out therein, severally but not jointly, agree to purchase the International Offer Shares being offered pursuant to the International Offering or procure purchasers for their respective applicable proportions of International Offer Shares. Please refer to the section headed "Structure of the Global Offering — The International Offering" for details.

The Over-allotment Option Grantors expect to grant to the International Underwriters the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (on behalf of the International

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Underwriters). Pursuant to the Over-allotment Option, the International Underwriters have the right, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Option Grantors to sell up to an aggregate of 16,642,500 Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any.

Restrictions on the Offer Shares

No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, without limitation to the following, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation in any jurisdiction or in any circumstances in which such an offer or invitation is not authorized or to any person to whom it is unlawful to make such an offer or invitation. The distribution of this prospectus and the offering and sales of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. In particular, the Hong Kong Offer Shares have not been publicly offered or sold, directly or indirectly, in the PRC or the United States.

ACTIVITIES BY SYNDICATE MEMBERS

We describe below a variety of activities that underwriters of the Hong Kong Public Offering and the International Offering, together referred to as “Syndicate Members,” may each individually undertake, and which do not form part of the underwriting or the stabilizing process. When engaging in any of these activities, it should be noted that the Syndicate Members are subject to restrictions, including the following:

- (a) under the agreement among the Syndicate Members, all of them (except for the Stabilizing Manager or its designated affiliate) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) all of them must comply with all applicable laws, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the accounts of others. In relation to our Shares, those activities could include acting as agent for buyers and sellers of the Shares, entering into transactions with those buyers and sellers in a principal capacity, proprietary trading in the Shares, and entering into over-the-counter or listed derivative transactions or listed or unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their underlying assets, assets including the Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in

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the Shares, in baskets of securities or indices including the Shares, in units of funds that may purchase the Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the Shares as their underlying securities, whether on the Stock Exchange or on any other stock exchange, the rules of the exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the Shares in most cases.

All such activities may occur both during and after the end of the stabilizing period described in the section entitled “Structure of the Global Offering”. Such activities may affect the market price or value of the Shares, the liquidity or trading volume in the Shares and the volatility of the price of the Shares, and the extent to which this occurs from day to day cannot be estimated.

INDEPENDENCE OF THE JOINT SPONSORS

Each of the Joint Sponsors satisfies the independence criteria applicable to sponsors as set out in Rule 6A.07 of the GEM Listing Rules.

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THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises of:

- (a) the Hong Kong Public Offering of initially 11,096,000 Shares (subject to reallocation) in Hong Kong as described below in the section headed “— The Hong Kong Public Offering;” and
- (b) the International Offering of initially 99,856,000 Shares (subject to reallocation and the Over-allotment Option) comprising 62,872,000 New Shares and 36,984,000 Sale Shares, outside the United States in reliance on Regulation S and in the United States to QIBs in reliance on Rule 144A or other available exemption from the registration requirements of the US Securities Act.

Investors may apply for Hong Kong Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest in International Offer Shares under the International Offering, but may not do both.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

THE HONG KONG PUBLIC OFFERING

Number of Shares Initially Offered

We are initially offering 11,096,000 Hong Kong Offer Shares, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering, at the Offer Price for subscription by the public in Hong Kong. Subject to the reallocation of Shares between (i) the International Offering, and (ii) the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 3.00% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming no Shares are issued under the Share Option Scheme.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers and companies (including fund managers) whose ordinary business involves dealing in shares and other securities, and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in the section headed “— Conditions of the Hong Kong Public Offering.”

Allocation

Allocation of Shares to investors under the Hong Kong Public Offering will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation could, where appropriate, consist of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

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The total number of Hong Kong Offer Shares available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) will be divided into two pools for allocation purposes:

Pool A: The Hong Kong Offer Shares in Pool A will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) or less.

Pool B: The Hong Kong Offer Shares in Pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with a total subscription price of more than HK\$5 million (excluding the brokerage, SFC transaction levy and the Stock Exchange trading fee payable) and up to the total value of pool B.

For the purpose of this sub-section only, the “subscription price” for Hong Kong Offer Shares means the price payable on application (without regard to the Offer Price as finally determined).

Applicants should be aware that applications in Pool A and applications in Pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the two pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly.

Applicants can only receive an allocation of Hong Kong Offer Shares from either Pool A or Pool B, but not from both pools. Multiple or suspected multiple applications and any application for more than 5,548,000 Hong Kong Offer Shares will be rejected.

Reallocation

In the event of over-applications in the Hong Kong Public Offering, the Joint Global Coordinators shall apply a clawback mechanism, which would have the effect of increasing the number of Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels in the Hong Kong Public Offering are reached, following the closing of the application lists on the following basis:

- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 33,286,000 Shares, representing approximately 30% of Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be increased so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 44,381,000 Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering.
- If the number of the Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then the number of Offer Shares to be reallocated to the Hong Kong Public Offering from the International Offering will be

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increased, so that the total number of Offer Shares available under the Hong Kong Public Offering will be 55,476,000 Shares, representing 50% of Offer Shares initially available under the Global Offering.

The Offer Shares to be offered in the Hong Kong Public Offering and the International Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Joint Global Coordinators. Subject to the foregoing paragraph, the Joint Global Coordinators may in their discretion reallocate Shares from the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering. In addition, if the Hong Kong Public Offering is not fully subscribed, the Joint Global Coordinators (for themselves and on behalf of the Underwriters) will have the discretion (but shall not be under any obligation) to reallocate to the International Offering all or any unsubscribed Hong Kong Offer Shares in such amounts as they deem appropriate.

Applications

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him that he and any person(s) for whose benefit he is making the application has not applied for or taken up, or indicated an interest in, and will not apply for or take up, or indicate an interest in, any International Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or it has been or will be placed or allocated International Offer Shares under the International Offering.

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$13.10 per Offer Share in addition to the brokerage, SFC transaction levy and the Stock Exchange trading fee payable on each Offer Share, equal to a total of HK\$6,616.01 for one board lot of 500 Shares. If the Offer Price, as finally determined in the manner described in the section headed “— Pricing and Allocation” below, is less than the maximum price of HK\$13.10 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out below in the section headed “How to Apply for Hong Kong Offer Shares.”

THE INTERNATIONAL OFFERING

Number of Offer Shares Offered

Subject to the reallocation as described above, the number of Offer Shares to be initially offered under the International Offering will be 99,856,000, (comprising 62,872,000 New Shares and 36,984,000 Sale Shares), representing approximately 90% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering, the number of Offer Shares initially offered under the International Offering will represent approximately 27.00% of our Company's enlarged issued share capital immediately after completion of the Global Offering, assuming no Shares are issued under the Share Option Scheme.

Allocation

Pursuant to the International Offering, the International Offer Shares will be conditionally placed on behalf of our Company by the International Underwriters or through selling agents appointed by them. International Offer Shares will be selectively placed with certain professional and institutional investors

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and other investors anticipated to have a sizeable demand for such Offer Shares in Hong Kong and other jurisdictions outside the United States in offshore transactions in reliance on Regulation S and in the United States to QIBs as defined in Rule 144A. The International Offering is subject to the Hong Kong Public Offering being unconditional.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “bookbuilding” process described in the section headed “— Pricing and Allocation” below and based on a number of factors, including the level and timing of demand, total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to buy further, and/or hold or sell, Shares, after the listing of our Shares on the Stock Exchange. Such allocation is intended to result in a distribution of the Shares on a basis which would lead to the establishment of a solid shareholder base to the benefit of our Company and our shareholders as a whole.

The Joint Global Coordinators (for themselves and on behalf of the Underwriters) may require any investor who has been offered Offer Shares under the International Offering and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Joint Global Coordinators so as to allow them to identify the relevant applications under the Hong Kong Public Offering and to ensure that they are excluded from any application of Offer Shares under the Hong Kong Public Offering.

Reallocation

The total number of Offer Shares to be issued or sold pursuant to the International Offering may change as a result of the clawback arrangement described in the section headed “— The Hong Kong Public Offering — Reallocation” above, the exercise of the Over-allotment Option in whole or in part described in the section entitled “— Over-allotment Option,” and any reallocation of unsubscribed Offer Shares originally included in the Hong Kong Public Offering and/or any Offer Shares from the International Offering to the Hong Kong Public Offering at the discretion of the Joint Global Coordinators.

OVER-ALLOTMENT OPTION

The Over-allotment Option Grantors expect to grant to the International Underwriters the Over-allotment Option, which will be exercisable by the Joint Global Coordinators (on behalf of the International Underwriters). Pursuant to the Over-allotment Option, the International Underwriters have the right, which will be exercisable from the Listing Date until 30 days after the last day for the lodging of applications under the Hong Kong Public Offering, to require the Over-allotment Option Grantors to sell up to an aggregate of 16,642,500 Shares, representing approximately 15% of the total number of Offer Shares initially available under the Global Offering, at the same price per Offer Share under the International Offering, to, among other things, cover over-allocations in the International Offering, if any. In the event that the Over-allotment Option is exercised, we will make an announcement.

STABILIZING ACTION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the securities in the secondary market, during a specified period of time, to curb and, if possible, prevent any decline in the market price of the securities below the offer price. It may be effected in jurisdictions where it is permissible to do so and subject to all applicable laws and regulatory requirements. In Hong Kong, the price at which stabilization is effected is not permitted to exceed the Offer Price.

STRUCTURE OF THE GLOBAL OFFERING

In connection with the Global Offering, the Stabilizing Manager or any person acting for it, on behalf of the Underwriters, may over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the Offer Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of Shares than the Underwriters are required to purchase in the Global Offering. “Covered” short sales are sales made in an amount not greater than the Over-allotment Option. The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional Offer Shares or purchasing Shares in the open market. In determining the source of the Offer Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of Offer Shares in the open market as compared to the price at which they may purchase additional Offer Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or curbing a decline in the market price of the Offer Shares while the Global Offering is in progress. Any market purchases of our Offer Shares may be effected on any stock exchange, including the Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager or any person acting for it to conduct any such stabilizing action. Such stabilizing activity, if commenced, will be done at the absolute discretion of the Stabilizing Manager and may be discontinued at any time.

Any such stabilizing activity is required to be brought to an end within 30 days of the last day for the lodging of applications under the Hong Kong Public Offering. The number of the Offer Shares that may be over-allocated will not exceed the number of the Shares that may be sold under the Over-allotment Option, namely, 16,642,500 Offer Shares, which is approximately 15% of the number of Offer Shares initially available under the Global Offering, and cover such over-allocations by exercising the Over-allotment Option or by making purchases in the secondary market at prices that do not exceed the Offer Price or through stock borrowing arrangements or a combination of these means.

In Hong Kong, stabilizing activities must be carried out in accordance with the Securities and Futures (Price Stabilizing) Rules. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules include:

- (a) over-allocating for the purpose of preventing or minimizing any reduction in the market price of our Shares;
- (b) selling or agreeing to sell the Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price of the Shares;
- (c) purchasing or subscribing for, or agreeing to purchase or subscribe for, our Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, any of the Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling or agreeing to sell any of our Shares in order to liquidate any position established as a result of those purchases; and
- (f) offering or attempting to do anything as described in (b), (c), (d) or (e) above.

Stabilizing actions by the Stabilizing Manager, or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization.

As a result of effecting transactions to stabilize or maintain the market price of the Shares, the Stabilizing Manager, or any person acting for it, may maintain a long position in the Shares. The size of

STRUCTURE OF THE GLOBAL OFFERING

the long position, and the period for which the Stabilizing Manager, or any person acting for it, will maintain the long position is at the discretion of the Stabilizing Manager and is uncertain. In the event that the Stabilizing Manager liquidates this long position by making sales in the open market, this may lead to a decline in the market price of the Shares.

Stabilizing action by the Stabilizing Manager, or any person acting for it, is not permitted to support the price of the Shares for longer than the stabilizing period, which begins on the day on which trading of the Shares commences on the Stock Exchange and ends on the 30th day after the last day for the lodging of applications under the Hong Kong Public Offering. The stabilizing period is expected to end on January 11, 2015. As a result, demand for the Shares, and their market price, may fall after the end of the stabilizing period. These activities by the Stabilizing Manager may stabilize, maintain or otherwise affect the market price of the Shares. As a result, the price of the Shares may be higher than the price that otherwise may exist in the open market. Any stabilizing action taken by the Stabilizing Manager, or any person acting for it, may not necessarily result in the market share of the Shares staying at or above the Offer Price either during or after the stabilizing period. Bids for or market purchases of the Shares by the Stabilizing Manager, or any person acting for it, may be made at a price at or below the Offer Price and therefore at or below the price paid for the Shares by purchasers. A public announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

STOCK BORROWING ARRANGEMENT

In order to facilitate the settlement of over-allocations in connection with the Global Offering, the Stabilizing Manager (or its affiliate(s)) may choose to borrow Shares from Shareholders of our Company under stock borrowing arrangements, or acquire Shares from other sources, including the exercise of the Over-allotment Option.

The Stabilizing Manager will enter into the Stock Borrowing Agreement with the Over-allotment Option Grantors, whereby the Stabilizing Manager may borrow Shares from the Over-allotment Option Grantors on the following conditions:

- (a) the stock borrowing will only be effected by the Stabilizing Manager for the settlement of over-allocations in connection with the International Offering;
- (b) the maximum number of Shares borrowed from the Over-allotment Option Grantors will be limited to 16,642,500 Shares, being the maximum number of Shares which may be sold by the Over-allotment Option Grantors upon full exercise of the Over-allotment Option;
- (c) the same number of Shares borrowed from the Over-allotment Option Grantors must be returned to the Over-allotment Option Grantors no later than the three Business Day following the earlier of (i) the last day on which the Over-allotment Option may be exercised; (ii) the date on which the Over-allotment Option is exercised in full and the Shares to be sold upon exercise of the Over-allotment Option have been sold; or (iii) such earlier time as may be agreed in writing between the Over-allotment Option Grantors and the Stabilizing Manager;
- (d) the stock borrowing arrangement will be effected in compliance with all applicable GEM Listing Rules, laws and other regulatory requirements; and
- (e) no payments will be made to the Over-allotment Option Grantors by the Stabilizing Manager in relation to such stock borrowing arrangement.

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The Stock Borrowing Agreement will be effected in compliance with all applicable laws, rules and regulatory requirements. The Stock Borrowing Arrangement is not subject to the restrictions of Rule 13.16A(1)(a) of the GEM Listing Rules provided that it complies with the requirements set forth in Rule 13.15(5)(a) of the GEM Listing Rules. No payment will be made to the Over-allotment Option Grantors by the Stabilizing Manager or its agent in relation to such stock.

PRICING AND ALLOCATION

Determining the Offer Price

The International Underwriters will be soliciting from prospective investors' indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as "book-building," is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or about December 12, 2014 and in any event no later than December 16, 2014, by agreement between the Joint Global Coordinators, on behalf of the Underwriters, and our Company and the number of Offer Shares to be allocated under the various offerings will be determined shortly thereafter.

Offer Price Range

The Offer Price per Offer Share under the Hong Kong Public Offering will be identical to the offer price per Offer Share under the International Offering based on the Hong Kong dollar price per Offer Share under the International Offering, as determined by the Joint Global Coordinators, on behalf of the Underwriters, and our Company.

The Offer Price will not be more than HK\$13.10 per Offer Share and is expected to be not less than HK\$9.80 per Offer Share, unless otherwise announced by the Company no later than the morning of the last day for lodging applications under the Hong Kong Public Offer, as further explained below. Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative offer price range stated in this prospectus.

Price Payable on Application

Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum Offer Price of HK\$13.10 per each Hong Kong Offer Share (plus 1% brokerage, 0.0027% SFC transaction levy and 0.005% Stock Exchange trading fee). If the Offer Price is less than HK\$13.10, appropriate refund payments (including the brokerage, SFC transaction levy and the Stock Exchange trading fee attributable to the surplus application monies, without any interest) will be made to successful applications.

If, for any reason, our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) are unable to reach agreement on the Offer Price on or before December 16, 2014, the Global Offering will not proceed and will lapse.

Reduction in Indicative Offer Price Range and/or Number of Offer Shares

The Joint Global Coordinators, on behalf of the Underwriters, may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors during the

STRUCTURE OF THE GLOBAL OFFERING

book-building process, and with the consent of our Company, reduce the number of Offer Shares and/or the indicative offer price range as stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such case, we will, as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause to be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and the Company at www.linekong.com, notices of the reduction. Upon issue of such a notice, the revised number of Offer Shares and/or indicative Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will be fixed within such a revised Offer Price range. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in the prospectus, use of proceeds, and any other financial information which may change materially as a result of such reduction.

Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. In the absence of any such notice so published, the number of Offer Shares will not be reduced and/or the Offer Price, if agreed upon by the Joint Global Coordinators, for themselves and on behalf of the Underwriters, and our Company, will under no circumstances be set outside the offer price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares, the Joint Global Coordinators may, at their discretion, reallocate the number of Offer Shares to be offered in the Hong Kong Public Offering and the International Offering.

Announcement of Offer Price and Basis of Allocations

The final Offer Price, the level of indications of interest in the Global Offering, the results of allocations and the basis of allotment of the Hong Kong Offer Shares are expected to be announced on December 18, 2014 in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the website of the Stock Exchange at www.hkexnews.hk and on the website of our Company at www.linekong.com.

UNDERWRITING

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriters under the terms of the Hong Kong Underwriting Agreement and is subject to our Company and the Joint Global Coordinators, for themselves and on behalf of the Underwriters, agreeing on the Offer Price.

We expect to enter into the International Underwriting Agreement relating to the International Offering on the Price Determination Date. The International Offering will be fully underwritten by the International Underwriters under the terms of the International Underwriting Agreement to be entered into.

These underwriting arrangements, and the Hong Kong Underwriting Agreement and the International Underwriting Agreement, are summarized in the section headed “Underwriting.”

STRUCTURE OF THE GLOBAL OFFERING

CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Offer Shares will be conditional on:

- (a) the Listing Division of the Stock Exchange granting approval for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Global Offering, the Shares to be issued upon the exercise of options to be granted under the Share Option Scheme, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the Shares on the Stock Exchange;
- (b) the Offer Price having been duly agreed between us and the Joint Global Coordinators (for themselves and on behalf of the Underwriters);
- (c) the execution and delivery of the International Underwriting Agreement on or about the Price Determination Date; and
- (d) the obligations of the Hong Kong Underwriters under the Hong Kong Underwriting Agreement and the obligations of the International Underwriters under the International Underwriting Agreement becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective agreements in each case on or before the dates and times specified in the Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event no later than December 19, 2014.

If, for any reason, the Offer Price is not agreed between our Company and the Joint Global Coordinators (for themselves and on behalf of the Underwriters) on or before December 16, 2014, the Global Offering will not proceed and will lapse immediately.

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with their respective terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) and on the websites of Stock Exchange at www.hkexnews.hk and our Company at www.linekong.com on the next Business Day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for Hong Kong Offer Shares — 14. Dispatch/Collection of Share Certificates and Refund Monies.” In the meantime, all application monies will be held in separate bank account(s) with the receiving bankers or other bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong) (as amended).

Share certificates for the Offer Shares will only become valid certificates of title at 8:00 a.m. on the Listing Date provided that (i) the Global Offering has become unconditional in all respects, and (ii) the right of termination as described in the section headed “Underwriting — Underwriting Arrangements and Expenses — Hong Kong Public Offering — Grounds for termination” has not been exercised.

SHARES WILL BE ELIGIBLE FOR CCASS

All necessary arrangements have been made enabling the Shares to be admitted into the Central Clearing and Settlement System, or CCASS, established and operated by the Hong Kong Securities Clearing Company Limited, or HKSCC.

STRUCTURE OF THE GLOBAL OFFERING

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and our Company complies with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on the Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Stock Exchange is required to take place in CCASS on the second Business Day after any trading day. Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

DEALING ARRANGEMENTS

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m. in Hong Kong on December 19, 2014, it is expected that dealings in the Shares on the Stock Exchange will commence at 9:00 a.m. on December 19, 2014. The Shares will be traded in board lots of 500 Shares each.

HOW TO APPLY FOR HONG KONG OFFER SHARES

1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** Service Provider at www.eipo.com.hk; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States, and are not a United States Person (as defined in Regulation S under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also: (i) have a valid Hong Kong identity card number and (ii) provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the application form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

If an application is made by a person under a power of attorney, the Joint Global Coordinators may accept it at their discretion and on any conditions they think fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** Service Provider for the Hong Kong Offer Shares.

Unless permitted by the GEM Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of Shares in the Company and/or any of its subsidiaries;
- a Director or chief executive officer of the Company and/or any of its subsidiaries;
- an associate or a close associate (both as defined in the GEM Listing Rules) of any of the above;
- a connected person (as defined in the GEM Listing Rules) of the Company or will become a connected person of the Company immediately upon completion of the Global Offering; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

3. APPLYING FOR HONG KONG OFFER SHARES

Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours between 9:00 a.m. on Tuesday, December 9, 2014 until 12:00 noon on Friday, December 12, 2014:

- (i) any of the following offices of the Joint Global Coordinators:

Joint Global Coordinators	Address
Citigroup Global Markets Asia Limited	50th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong
Macquarie Capital Securities Limited	Level 18, One International Finance Centre, 1 Harbour View Street, Central, Hong Kong
CCB International Capital Limited	12/F, CCB Tower, 3 Connaught Road Central, Central, Hong Kong

- (ii) any of the branches of the following receiving banks:

Standard Chartered Bank (Hong Kong) Limited	Branch	Address
Hong Kong Island	88 Des Voeux Road Branch	88 Des Voeux Road Central, Central
	Quarry Bay Branch	G/F, Westlands Gardens, 1027 King's Road, Quarry Bay
Kowloon	Kwun Tong Branch	G/F, 414 Kwun Tong Road, Kowloon
	Lok Fu Shopping Centre Branch	Shop G201, G/F., Lok Fu Shopping Centre
New Territories	Tsuen Wan Branch	Shop C, G/F & 1/F, Jade Plaza, 298 Sha Tsui Road, Tsuen Wan
	Maritime Square Branch	Shop 308E, Level 3, Maritime Square, Tsing Yi

HOW TO APPLY FOR HONG KONG OFFER SHARES

Bank of Communications Co., Ltd.

Hong Kong Branch	Branch	Address
Hong Kong Island	Hong Kong Branch Taikoo Shing Sub-Branch	20 Pedder Street, Central Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
Kowloon	Lam Tin Sub-Branch Ngau Tau Kok Sub-Branch	Shop No.5 & 9, G/F., Kai Tin Tower, 63-65 Kai Tin Road, Lam Tin Shop G1 & G2, G/F., Phase I, Amoy Plaza, 77 Ngau Tau Kok Road
New Territories	Shatin Sub-Branch Market Street Sub-Branch	Shop No.193, Level 3, Lucky Plaza, Shatin G/F., 53 Market Street, Tsuen Wan

You can collect a **YELLOW** Application Form and a prospectus during normal business hours from 9:00 a.m. on Tuesday, December 9, 2014 until 12:00 noon on Friday, December 12, 2014 from the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong or from your stockbroker.

Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "**Horsford Nominees Limited — Linekong Interactive Public Offer**" for the payment, should be deposited in the special collection boxes provided at any of the branches of the receiving banks listed above, at the following times:

- Tuesday, December 9, 2014 — 9:00 a.m. to 5:00 p.m.
- Wednesday, December 10, 2014 — 9:00 a.m. to 5:00 p.m.
- Thursday, December 11, 2014 — 9:00 a.m. to 5:00 p.m.
- Friday, December 12, 2014 — 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Friday, December 12, 2014 the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Applications Lists" in this section.

4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through **White Form eIPO** Service Provider, among other things, you:

- (i) undertake to execute all relevant documents and instruct and authorize the Company and/or the Joint Global Coordinators (or their agents or nominees), as agents of the Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by the Articles of Association;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- (ii) agree to comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (iii) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (iv) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;
- (v) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (vi) agree that none of the Company, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters, their respective directors, officers, employees, partners, agents, advisers or any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (vii) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (viii) agree to disclose to the Company, our Hong Kong Share Registrar, the receiving banks, the Joint Global Coordinators, the Joint Bookrunners, the Underwriters and/or their respective advisers and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (ix) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of the Company, the Joint Global Coordinators, the Joint Bookrunners and the Underwriters nor any of their respective officers or advisers will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (x) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (xi) agree that your application will be governed by the laws of Hong Kong;
- (xii) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (xiii) warrant that the information you have provided is true and accurate;
- (xiv) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;
- (xv) authorize the Company to place your name(s) or the name of the HKSCC Nominees, on the Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and the Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for

HOW TO APPLY FOR HONG KONG OFFER SHARES

joint application by ordinary post at your own risk to the address stated on the application, unless you have chosen to collect the share certificate(s) and/or refund cheque(s) in person;

- (xvi) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (xvii) understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (xviii) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or to the **White Form eIPO** Service Provider by you or by anyone as your agent or by any other person; and
- (xix) (if you are making the application as an agent for the benefit of another person) warrant that
 - (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC; and
 - (ii) you have due authority to sign the Application Form or give electronic application instructions on behalf of that other person as their agent.

Additional Instructions for YELLOW Application Form

You may refer to the **YELLOW** Application Form for details.

5. APPLYING THROUGH WHITE FORM eIPO SERVICE

General

Individuals who meet the criteria in “Who can apply” section, may apply through the **White Form eIPO** Service Provider for the Offer Shares to be allotted and registered in their own names through the designated website at www.eipo.com.hk.

Detailed instructions for application through the **White Form eIPO** Service Provider are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to the Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** Service Provider.

Time for Submitting Applications under the White Form eIPO

You may submit your application to the **White Form eIPO** Service Provider at www.eipo.com.hk (24 hours daily, except on the last application day) from 9:00 a.m. on Tuesday, December 9, 2014 until 11:30 a.m. on Friday, December 12, 2014 and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Friday, December 12, 2014 or such later time under the “10. Effects of Bad Weather on the Opening of the Applications Lists” in this section.

No Multiple Applications

If you apply by means of **White Form eIPO**, once you complete payment in respect of any electronic application instruction given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been

HOW TO APPLY FOR HONG KONG OFFER SHARES

made. For the avoidance of doubt, giving an electronic application instruction under **White Form eIPO** more than once and obtaining different payment reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** Service Provider or by any other means, all of your applications are liable to be rejected.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Environmental Protection

The obvious advantage of **White Form eIPO** is to save the use of papers via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “Linekong Interactive Co., Ltd.” **White Form eIPO** application submitted via www.eipo.com.hk to support the funding of “Source of DongJiang — Hong Kong Forest” project initiated by Friends of the Earth (HK).

6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

General

CCASS Participants may give electronic application instructions to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these electronic application instructions through the CCASS Phone System by calling +852 29797888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC’s “An Operating Guide for Investor Participants” in effect from time to time).

HKSCC can also input electronic application instructions for you if you go to:

Hong Kong Securities Clearing Company Limited
Customer Service Center
1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to the Company, the Joint Global Coordinators and our Hong Kong Share Registrar.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given electronic application instructions to apply for the Hong Kong Offer Shares and a WHITE Application Form is signed by HKSCC Nominees on your behalf:

- (i) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;
- (ii) HKSCC Nominees will do the following things on your behalf:
 - agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
 - agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
 - undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
 - declare that only one set of electronic application instructions has been given for your benefit;
 - (if you are an agent for another person) declare that you have only given one set of electronic application instructions for the other person's benefit and are duly authorized to give those instructions as their agent;
 - confirm that you understand that the Company, the Directors and the Joint Global Coordinators will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
 - authorize the Company to place HKSCC Nominees' name on the Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
 - confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
 - confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made, save as set out in any supplement to this prospectus;
 - agree that none of the Company, the Joint Global Coordinators, Underwriters, their respective directors, officers, employees, partners, agents, advisers and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);
 - agree to disclose your personal data to the Company, our Hong Kong Share Registrar, receiving banks, the Joint Global Coordinators, its respective advisers and agents;
 - agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of the Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your electronic application instructions can be revoked, and that acceptance of that application will be evidenced by the Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving electronic application instructions to apply for Hong Kong Offer Shares;
- agree with the Company, for itself and for the benefit of each Shareholder (and so that the Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving electronic application instructions) to observe and comply with the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association; and
- agree that your application, any acceptance of it and the resulting contract will be governed by the Laws of Hong Kong.

Effect of Giving Electronic Application Instructions to HKSCC via CCASS

By giving electronic application instructions to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to the Company or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Stock Exchange trading fee) by crediting your designated bank account; and

HOW TO APPLY FOR HONG KONG OFFER SHARES

- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give electronic application instructions for a minimum of 500 Hong Kong Offer Shares. Instructions for more than 500 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input electronic application instructions at the following times on the following dates:

- Tuesday, December 9, 2014 — 9:00 a.m. to 8:30 p.m. ⁽¹⁾
- Wednesday, December 10, 2014 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
- Thursday, December 11, 2014 — 8:00 a.m. to 8:30 p.m. ⁽¹⁾
- Friday, December 12, 2014 — 8:00 a.m. ⁽¹⁾ to 12:00 noon

CCASS Investor Participants can input electronic application instructions from 9:00 a.m. on Tuesday, December 9, 2014 until 12:00 noon on Friday, December 12, 2014 (24 hours daily, except on the last application day).

The latest time for inputting your electronic application instructions will be 12:00 noon on Friday, December 12, 2014, the last application day or such later time as described in “Effect of Bad Weather on the Opening of the Application Lists” in this section.

No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any electronic application instructions to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, the Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives or causes to give electronic application instructions is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by the Company, the Hong Kong Share Registrar, the receiving bankers, the Joint Global Coordinators, the

⁽¹⁾ These times are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants.

HOW TO APPLY FOR HONG KONG OFFER SHARES

Underwriters and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving electronic application instructions to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** Service Provider is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. The Company, the Directors, the Joint Global Coordinators, the Joint Sponsors, the Joint Bookrunners and the Underwriters take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** Service Provider will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their electronic application instructions, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of electronic application instructions, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC's Customer Service Centre to complete an input request form for electronic application instructions before 12:00 noon on Friday, December 12, 2014.

8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked "For nominees" you must include:

- an account number; or
- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving electronic application instructions to HKSCC or through **White Form eIPO** Service Provider, is made for your benefit (including the part of the application made by HKSCC Nominees acting on electronic application instructions). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

"Unlisted company" means a company with no equity securities listed on the Stock Exchange.

"Statutory control" means you:

- control the composition of the Board of Directors of the company;
- control more than half of the voting power of the company; or
- hold more than half of the issued share capital of the company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

HOW TO APPLY FOR HONG KONG OFFER SHARES

9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Stock Exchange trading fee in full upon application for Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** Service Provider in respect of a minimum of 500 Hong Kong Public Offer Shares. Each application or electronic application instruction in respect of more than 500 Hong Kong Public Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

If your application is successful, brokerage will be paid to the Exchange Participants, and the SFC transaction levy and the Stock Exchange trading fee are paid to the Stock Exchange (in the case of the SFC transaction levy, collected by the Stock Exchange on behalf of the SFC).

For further details on the Offer Price, see the section headed “Structure of the Global Offering — Pricing and Allocation.”

10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above; or
- a “black” rainstorm warning,

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Friday, December 12, 2014. Instead they will open between 11:45 a.m. and 12:00 noon on the next Business Day which does not have either of those warnings in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Friday, December 12, 2014 or if there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning signal in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

11. PUBLICATION OF RESULTS

The Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Thursday, December 18, 2014 in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the Company’s website at **www.linekong.com** and the website of the Stock Exchange at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on the Company’s website at **www.linekong.com** and the Stock Exchange’s website at **www.hkexnews.hk** by no later than 9:00 a.m. on Thursday, December 18, 2014;

HOW TO APPLY FOR HONG KONG OFFER SHARES

- from the designated results of allocations website at www.iporeresults.com.hk with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Thursday, December 18, 2014 to 12:00 midnight on Wednesday, December 24, 2014;
- by telephone enquiry line by calling 2862 8669 between 9:00 a.m. and 10:00 p.m. from Thursday, December 18, 2014 to Sunday, December 21, 2014;
- in the special allocation results booklets which will be available for inspection during opening hours from Thursday, December 18, 2014 to Saturday, December 20, 2014 at all the receiving bank branches and sub-branches.

If the Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Further details are contained in the section headed “Structure of the Global Offering.”

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer shares will not be allotted to you:

(i) If your application is revoked:

By completing and submitting an Application Form or giving electronic application instructions to HKSCC or to **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with the Company.

Your application or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

HOW TO APPLY FOR HONG KONG OFFER SHARES

(ii) If the Company or its agents exercise their discretion to reject your application:

The Company, the Joint Global Coordinators, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

(iii) If the allotment of Hong Kong Offer Shares is void:

The allotment of Hong Kong Offer Shares will be void if the Stock Exchange does not grant permission to list the Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Stock Exchange notifies the Company of that longer period within three weeks of the closing date of the application lists.

(iv) If:

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your electronic application instructions through the **White Form eIPO** Service Provider are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonoured upon its first presentation;
- the Underwriting Agreements do not become unconditional or are terminated;
- the Company or the Joint Global Coordinators believe that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$13.10 per Offer Share (excluding brokerage, SFC transaction levy and the Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with "Structure of the Global Offering — Conditions of the Hong Kong Public Offering" in this prospectus or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Stock Exchange trading fee, will be refunded, without interest or the cheque or banker's cashier order will not be cleared.

Any refund of your application monies will be made on Thursday, December 18, 2014.

HOW TO APPLY FOR HONG KONG OFFER SHARES

14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by electronic application instructions to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/ passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/ passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or around Thursday, December 18, 2014. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker’s cashier’s order(s).

Share certificates will only become valid at 8:00 a.m. on Friday, December 19, 2014 provided that the Global Offering has become unconditional and the right of termination described in the “Underwriting” section in this prospectus has not been exercised. Investors who trade shares prior to the receipt of Share certificates or the Share certificates becoming valid do so at their own risk.

Personal Collection

(i) If you apply using a WHITE Application Form

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from our Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 18, 2014 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal

HOW TO APPLY FOR HONG KONG OFFER SHARES

collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the Hong Kong Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be despatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on Thursday, December 18, 2014, by ordinary post and at your own risk.

(ii) If you apply using a YELLOW Application Form

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above. If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on Thursday, December 18, 2014, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Thursday, December 18, 2014, or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- **If you apply through a designated CCASS participant (other than a CCASS investor participant)**

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- **If you are applying as a CCASS investor participant**

The Company will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "Publication of Results" above. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 18, 2014 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

(iii) If you apply through the White Form eIPO Service Provider

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your Share certificate(s) from Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Thursday, December 18, 2014, or such other date as notified by the Company in the newspapers as the date of despatch/ collection of Share certificates/e-Refund payment instructions/refund cheques.

HOW TO APPLY FOR HONG KONG OFFER SHARES

If you do not collect your Share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your Share certificate(s) (where applicable) will be sent to the address specified in your application instructions on Thursday, December 18, 2014 by ordinary post at your own risk.

If you apply and pay the application monies from a single bank account, any refund monies will be despatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be despatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

(iv) If you apply via Electronic Application Instructions to HKSCC

Allocation of Hong Kong Offer Shares

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives electronic application instructions or each person for whose benefit instructions are given will be treated as an applicant.

Deposit of Share Certificates into CCASS and Refund of Application Monies

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Thursday, December 18, 2014, or, on any other date determined by HKSCC or HKSCC Nominees.
- The Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, the Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "Publication of Results" above on Thursday, December 18, 2014. You should check the announcement published by the Company and report any discrepancies to HKSCC before 5:00 p.m. on Thursday, December 18, 2014 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give electronic application instructions on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Thursday, December 18, 2014. Immediately following the credit of the Hong Kong Offer Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

HOW TO APPLY FOR HONG KONG OFFER SHARES

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Thursday, December 18, 2014.

15. ADMISSION OF THE SHARES INTO CCASS

If the Stock Exchange grants the listing of, and permission to deal in, the Shares and we comply with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the GEM Listing Rules) is required to take place in CCASS on the second Business Day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the Shares to be admitted into CCASS.

The following is the text of a report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Joint Sponsors pursuant to the requirements of Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the Hong Kong Institute of Certified Public Accountants.



羅兵咸永道

December 9, 2014

The Directors

Linekong Interactive Co., Ltd.

Citigroup Global Markets Asia Limited

Macquarie Capital Securities Limited

Dear Sirs,

We report on the financial information of Linekong Interactive Co., Ltd. (the "Company") and its subsidiaries (together, the "Group"), which comprises the consolidated balance sheets as of December 31, 2012 and 2013 and June 30, 2014, the balance sheets of the Company as of December 31, 2012 and 2013 and June 30, 2014 and the consolidated statements of comprehensive loss, the consolidated statements of changes in deficit and the consolidated statements of cash flows for each of the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014 (the "Relevant Periods"), and a summary of significant accounting policies and other explanatory information. This financial information has been prepared by the directors of the Company and is set out in Sections I to III below for inclusion in Appendix I to the prospectus of the Company dated December 9, 2014 (the "Prospectus") in connection with the initial listing of shares of the Company on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Company was incorporated in the Cayman Islands on May 24, 2007 as an exempted company with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in Note 1.2 of Section II below. All of these companies are private companies or, if incorporated or established outside Hong Kong, have substantially the same characteristics as a Hong Kong incorporated private company.

No audited financial statements have been prepared by the Company as it is not required to issue any audited financial statements under the statutory requirement in the Cayman Islands. The audited financial statements of the other companies now comprising the Group as at the date of this report for which there are statutory audit requirements have been prepared in accordance with the relevant accounting principles generally accepted in their place of incorporation. The details of the statutory auditors of these companies are set out in Note 1.2 of Section II below.

The directors of the Company have prepared the consolidated financial statements of the Company for the Relevant Periods, in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board (the "Underlying Financial Statements"). The directors of the Company are responsible for the preparation of the Underlying Financial Statements that

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gives a true and fair view in accordance with IFRSs. PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) has audited the Underlying Financial Statements in accordance with International Standards on Auditing (the “ISAs”) issued by the International Auditing and Assurance Standards Board (“IAASB”) pursuant to separate terms of engagement with the Company.

The financial information has been prepared based on the Underlying Financial Statements, with no adjustment made thereon.

Directors’ Responsibility for the Financial Information

The directors of the Company are responsible for the preparation of the financial information that gives a true and fair view in accordance with IFRSs, and for such internal control as the directors determine is necessary to enable the preparation of financial information that is free from material misstatement, whether due to fraud or error.

Reporting Accountant’s Responsibility

Our responsibility is to express an opinion on the financial information and to report our opinion to you. We carried out our procedures in accordance with the Auditing Guideline 3.340 “Prospectuses and the Reporting Accountant” issued by the Hong Kong Institute of Certified Public Accountants.

Opinion

In our opinion, the financial information gives, for the purpose of this report, a true and fair view of the state of affairs of the Company and the Group as of December 31, 2012 and 2013 and June 30, 2014 and of the Group’s results and cash flows for the Relevant Periods then ended.

Review of Stub Period Comparative Financial Information

We have reviewed the stub period comparative financial information set out in Sections I to II below included in Appendix I to the Prospectus which comprises the consolidated statement of comprehensive loss, the consolidated statement of changes in deficit and the consolidated statement of cash flows for the six months ended June 30, 2013 and a summary of significant accounting policies and other explanatory information (the “Stub Period Comparative Financial Information”).

The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the accounting policies set out in Note 2 of Section II below.

Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the IAASB. A review of the Stub Period Comparative Financial Information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with ISAs and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purpose of this report, is not prepared, in all material respects, in accordance with the accounting policies set out in Note 2 of Section II below.

I FINANCIAL INFORMATION OF THE GROUP

The following is the financial information of the Group prepared by the directors of the Company as of December 31, 2012 and 2013 and June 30, 2014, and for each of the years ended December 31, 2012 and 2013 and each of the six months ended June 30, 2013 and 2014 (the "Financial Information").

CONSOLIDATED BALANCE SHEETS

	Note	As of December 31,		As of
		2012	2013	June 30,
		RMB'000	RMB'000	2014
				RMB'000
ASSETS				
Non-current assets				
Property, plant and equipment	6	11,672	9,786	11,087
Intangible assets	7	3,922	6,699	12,879
Investments in joint ventures	10	-	-	-
Deferred income tax assets	11	11,347	3,443	2,108
Prepayments and other receivables	13	764	81	3,303
		<u>27,705</u>	<u>20,009</u>	<u>29,377</u>
Current assets				
Trade receivables	12	11,611	43,779	73,696
Prepayments and other receivables	13	28,311	36,097	71,108
Short-term bank deposits	14	6,000	35,198	30,198
Cash and cash equivalents	15	47,226	111,777	477,146
		<u>93,148</u>	<u>226,851</u>	<u>652,148</u>
Total assets		<u>120,853</u>	<u>246,860</u>	<u>681,525</u>

CONSOLIDATED BALANCE SHEETS (CONTINUED)

	Note	As of December 31,		As of
		2012	2013	June 30,
		RMB'000	RMB'000	2014
				RMB'000
DEFICIT AND LIABILITIES				
Deficit				
Share capital	16	18	18	24
Share capital for RSU Scheme	16	-	-	(6)
Reserves	17	29,339	86,909	123,588
Accumulated losses		(364,054)	(768,227)	(847,106)
		(334,697)	(681,300)	(723,500)
Non-controlling interests		4,580	(20)	(20)
Total deficit		(330,117)	(681,320)	(723,520)
Liabilities				
Non-current liabilities				
Convertible preferred shares	21	288,975	719,831	1,151,072
Deferred revenue	20	18,414	19,428	15,857
		307,389	739,259	1,166,929
Current liabilities				
Trade and other payables	19	82,458	99,795	123,753
Current income tax liabilities		4,171	11,062	3,769
Deferred revenue	20	56,952	78,064	110,594
		143,581	188,921	238,116
Total liabilities		450,970	928,180	1,405,045
Total deficit and liabilities		120,853	246,860	681,525
Net current (liabilities)/assets		(50,433)	37,930	414,032
Total assets less current liabilities		(22,728)	57,939	443,409

BALANCE SHEETS OF THE COMPANY

	Note	As of December 31,		As of
		2012	2013	June 30,
		RMB'000	RMB'000	2014
				RMB'000
ASSETS				
Non-current assets				
Investments in subsidiaries	9	127,948	160,802	210,796
Current assets				
Prepayment and other receivables	13	18	18	1,956
Cash and cash equivalents	15	1,591	1,523	300,947
		1,609	1,541	302,903
Total assets		<u>129,557</u>	<u>162,343</u>	<u>513,699</u>
DEFICIT AND LIABILITIES				
Deficit				
Share capital	16	18	18	24
Share capital for RSU Scheme	16	-	-	(6)
Reserves	17	19,837	67,999	106,252
Accumulated losses		(179,295)	(625,613)	(748,066)
Total deficit		<u>(159,440)</u>	<u>(557,596)</u>	<u>(641,796)</u>
Liabilities				
Non-current liabilities				
Convertible preferred shares	21	288,975	719,831	1,151,072
Current liabilities				
Other payables	19	22	108	4,423
Total liabilities		<u>288,997</u>	<u>719,939</u>	<u>1,155,495</u>
Total deficit and liabilities		<u>129,557</u>	<u>162,343</u>	<u>513,699</u>
Net current assets		<u>1,587</u>	<u>1,433</u>	<u>298,480</u>
Total assets less current liabilities		<u>129,535</u>	<u>162,235</u>	<u>509,276</u>

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Note	Year ended December 31,		Six months ended June 30,	
		2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Revenue	5	265,633	514,997	236,800	362,818
Cost of revenue	22	(133,055)	(244,390)	(115,113)	(176,330)
Gross profit		132,578	270,607	121,687	186,488
Selling and marketing expenses	22	(57,639)	(85,402)	(33,937)	(50,983)
Administrative expenses	22	(34,113)	(68,941)	(14,603)	(48,109)
Research and development expenses	22	(42,391)	(58,467)	(24,646)	(47,173)
Other gains - net	24	11,805	5,341	4,012	1,214
Operating profit		10,240	63,138	52,513	41,437
Finance income - net	25	862	1,141	280	1,384
Fair value loss of preferred shares	21	(133,388)	(446,208)	(133,468)	(116,817)
Share of profit of joint ventures	10	73	-	-	-
Loss before income tax		(122,213)	(381,929)	(80,675)	(73,996)
Income tax expense	26	(811)	(17,491)	(12,135)	(4,883)
Loss for the year/period		<u>(123,024)</u>	<u>(399,420)</u>	<u>(92,810)</u>	<u>(78,879)</u>
Other comprehensive income/(loss) for the year/period that will not be reclassified subsequently to profit or loss					
- Currency translation differences		913	15,307	6,072	(6,881)
Total comprehensive loss for the year/period		<u>(122,111)</u>	<u>(384,113)</u>	<u>(86,738)</u>	<u>(85,760)</u>
Loss attributable to:					
Equity holders of the Company		(129,526)	(400,877)	(94,136)	(78,879)
Non-controlling interests		6,502	1,457	1,326	-
Loss for the year/period		<u>(123,024)</u>	<u>(399,420)</u>	<u>(92,810)</u>	<u>(78,879)</u>
Total comprehensive loss attributable to:					
Equity holders of the Company		(128,613)	(385,570)	(88,064)	(85,760)
Non-controlling interests		6,502	1,457	1,326	-
Total comprehensive loss for the year/period		<u>(122,111)</u>	<u>(384,113)</u>	<u>(86,738)</u>	<u>(85,760)</u>
Loss per share (expressed in RMB per share)					
- Basic	27(a)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(4.54)</u>
- Diluted	27(b)	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>(4.54)</u>
Dividends	28	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT

	Attributable to owners of the Company						
	Share capital	Shares held		Accumulated losses	Total	Non- controlling interests	Total deficit
		for RSU Scheme	Reserves				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1,							
2012	18	-	31,688	(232,194)	(200,488)	(15,368)	(215,856)
Comprehensive (loss)/ income							
(Loss)/profit for the year ..	-	-	-	(129,526)	(129,526)	6,502	(123,024)
Other comprehensive income							
- currency translation differences	-	-	913	-	913	-	913
Total comprehensive income/(loss) for the year	-	-	913	(129,526)	(128,613)	6,502	(122,111)
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Disposal of subsidiaries ...	-	-	-	-	-	1,115	1,115
Increase in ownership interest in subsidiaries without change of control	-	-	(17,114)	-	(17,114)	15,114	(2,000)
Decrease in ownership interest in subsidiaries without change of control	-	-	900	-	900	(900)	-
Dividends to non- controlling shareholders of subsidiaries	-	-	-	-	-	(1,781)	(1,781)
Shares awarded to employees	-	-	10,618	-	10,618	(102)	10,516
Appropriation to statutory reserves	-	-	2,334	(2,334)	-	-	-
Total contributions by and distributions to equity holders of the Company	-	-	(3,262)	(2,334)	(5,596)	13,446	7,850
Balance at December 31,							
2012	18	-	29,339	(364,054)	(334,697)	4,580	(330,117)

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT (CONTINUED)

	Attributable to owners of the Company						
	Share capital	Shares held		Accumulated losses	Total	Non- controlling interests	Total deficit
		for RSU Scheme	Reserves				
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Balance at January 1,							
2013	18	-	29,339	(364,054)	(334,697)	4,580	(330,117)
Comprehensive (loss)/ income							
(Loss)/profit for the year ..	-	-	-	(400,877)	(400,877)	1,457	(399,420)
Other comprehensive income							
- currency translation differences	-	-	15,307	-	15,307	-	15,307
Total comprehensive income/(loss) for the year	-	-	15,307	(400,877)	(385,570)	1,457	(384,113)
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Liquidation of subsidiaries	-	-	-	-	-	204	204
Increase in ownership interest in subsidiaries without change of control	-	-	2,059	-	2,059	(2,059)	-
Dividends to non- controlling shareholders of subsidiaries	-	-	-	-	-	(4,202)	(4,202)
Shares awarded to employees	-	-	36,908	-	36,908	-	36,908
Appropriation to statutory reserves	-	-	3,296	(3,296)	-	-	-
Total contributions by and distributions to equity holders of the Company	-	-	42,263	(3,296)	38,967	(6,057)	32,910
Balance at December 31,							
2013	18	-	86,909	(768,227)	(681,300)	(20)	(681,320)

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT (CONTINUED)

(Unaudited)

	Attributable to owners of the Company						
	Share capital	Shares held for RSU		Accumulated losses		Non- controlling interests	Total deficit
		RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1, 2013	18	-	29,339	(364,054)	(334,697)	4,580	(330,117)
Comprehensive (loss)/ income							
(Loss)/profit for the period	-	-	-	(94,136)	(94,136)	1,326	(92,810)
Other comprehensive income - currency translation differences	-	-	6,072	-	6,072	-	6,072
Total comprehensive income/(loss) for the period	-	-	6,072	(94,136)	(88,064)	1,326	(86,738)
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Liquidation of subsidiaries	-	-	-	-	-	204	204
Dividends to non-controlling shareholders of subsidiaries	-	-	-	-	-	(4,202)	(4,202)
Total contributions by and distributions to equity holders of the Company	-	-	-	-	-	(3,998)	(3,998)
Balance at June 30, 2013 ..	<u>18</u>	<u>-</u>	<u>35,411</u>	<u>(458,190)</u>	<u>(422,761)</u>	<u>1,908</u>	<u>(420,853)</u>

CONSOLIDATED STATEMENTS OF CHANGES IN DEFICIT (CONTINUED)

	Attributable to owners of the Company						Total deficit RMB'000
	Share capital RMB'000	Shares held for RSU Scheme		Accumulated losses		Non- controlling interests RMB'000	
		RMB'000	RMB'000	RMB'000	RMB'000		
Balance at January 1,							
2014	18	-	86,909	(768,227)	(681,300)	(20)	(681,320)
Comprehensive loss							
Loss for the period	-	-	-	(78,879)	(78,879)	-	(78,879)
Other comprehensive loss - currency translation differences	-	-	(6,881)	-	(6,881)	-	(6,881)
Total comprehensive loss for the period	-	-	(6,881)	(78,879)	(85,760)	-	(85,760)
Total contributions by and distributions to equity holders of the Company recognized directly in equity							
Issuance of shares held for RSU Scheme (Note 18) ...	6	-	-	-	6	-	6
Deemed contribution from shareholders for the shares issued for RSU Scheme (Note 18)	-	(6)	6	-	-	-	-
RSU Scheme: - Value of employee services (Note 18)	-	-	43,554	-	43,554	-	43,554
Total contributions by and distributions to equity holders of the Company	6	(6)	43,560	-	43,560	-	43,560
Balance at June 30, 2014 ..	24	(6)	123,588	(847,106)	(723,500)	(20)	(723,520)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	Year ended December 31,		Six months ended June 30,	
		2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Cash flows from operating activities					
Cash generated from operations	29	28,987	110,697	30,784	72,488
Income tax paid		(1,913)	(2,696)	(898)	(10,841)
Net cash generated from operating activities		<u>27,074</u>	<u>108,001</u>	<u>29,886</u>	<u>61,647</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(6,944)	(5,351)	(4,160)	(4,656)
Purchase of intangible assets		(5,600)	(2,722)	(952)	(2,085)
Disposal of property, plant and equipment		336	47	-	-
Increase in short-term bank deposits		(6,000)	(38,198)	(5,000)	-
Decrease in short-term bank deposits		6,000	9,000	-	5,000
Disposal or liquidation of subsidiaries		(1,928)	(1)	(1)	-
Net cash used in investing activities		<u>(14,136)</u>	<u>(37,225)</u>	<u>(10,113)</u>	<u>(1,741)</u>
Cash flows from financing activities					
Proceeds from issuance of convertible preferred shares	21	-	-	-	306,906
Subscription received on par value of ordinary shares		-	-	-	15
Contribution received on par value of the shares held for RSU Scheme		-	-	-	6
Payment for deferred IPO costs		-	-	-	(1,906)
Consideration paid to non-controlling shareholders	30	-	(2,000)	(2,000)	-
Dividends paid to the non-controlling interests		(1,781)	(4,202)	(4,202)	-
Payments for issuance costs of convertible preferred shares		-	-	-	(300)
Net cash (used in)/generated from financing activities		<u>(1,781)</u>	<u>(6,202)</u>	<u>(6,202)</u>	<u>304,721</u>
Net increase in cash and cash equivalents		<u>11,157</u>	<u>64,574</u>	<u>13,571</u>	<u>364,627</u>
Cash and cash equivalents at beginning of year/period		36,070	47,226	47,226	111,777
Exchange (loss)/gain on cash and cash equivalents		(1)	(23)	(11)	742
Cash and cash equivalents at end of the year/period		<u>47,226</u>	<u>111,777</u>	<u>60,786</u>	<u>477,146</u>

II NOTES TO THE FINANCIAL INFORMATION

1 General information, reorganization and basis of presentation

1.1 General information

Linekong Interactive Co., Ltd. (the “Company”), previously known as Linekong International Co., Ltd., was incorporated in Cayman Islands on May 24, 2007 as an exempted company with limited liability under the Companies Law, Cap.22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company’s registered office is Floor 4, Willow House, Cricket Square, P.O.Box 2804, Grand Cayman KY1-1112, Cayman Islands.

The Company is an investment holding company. The Company and its subsidiaries (together, the “Group”) are principally engaged in developing and publishing online games (the “Listing Business”) in the People’s Republic of China (the “PRC”), Hong Kong and other countries and regions. Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu (collectively as the “Controlling Shareholders”, or the “Founders”) are ultimate controlling shareholders of the Company as of the date of this report.

The Financial Information is presented in Renminbi (“RMB”), unless otherwise stated.

1.2 History and reorganization of the Group

On March 30, 2007, Linekong Entertainment Technology Co., Ltd. (also known as Linekong Online (Beijing) Technology Co., Ltd., “Linekong Entertainment”) was established to carry out the Listing Business in the PRC by Mr. Wang Lei and another individual. Through a series of subsequent equity interests transfers, Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Zhang Yuyu, Mr. Wang Lei and Mr. Wang Wei (the “Original Founders”) became the five shareholders of Linekong Entertainment in May 2007. Several domestic operating companies have been established by Linekong Entertainment as its subsidiaries since 2007 and these operating companies together with Linekong Entertainment are collectively defined as the “PRC Operational Entities”.

On May 24, 2007, the Company was incorporated as an exempted company with limited liability in the Cayman Islands. In March 2008, the Company issued ordinary shares to the Original Founders and Mr. Wu Rui, who joined the Company as a project director. As a result, Mr. Wang Feng, Ms. Liao Mingxiang, Mr. Zhang Yuyu, Mr. Wang Lei, Mr. Wang Wei and Mr. Wu Rui became the shareholders of the Company.

For the purpose of introduction of overseas investors and preparation for a listing of the Company’s shares on the overseas capital markets, the Group underwent a group reorganization (the “Reorganization”) in April 2008. Pursuant to the Reorganization, the beneficial interests in PRC Operational Entities were transferred to the Company. The Reorganization mainly involved the following:

- (i). On April 14, 2008, Linekong Online (Beijing) Internet Technology Co., Ltd. (“Beijing Linekong Online”) was established by the Company as a wholly owned subsidiary of the Company in the PRC.
- (ii). Pursuant to a series of contractual agreements signed on April 22, 2008 (the “Contractual Arrangements”) among Beijing Linekong Online, Linekong Entertainment and the Original Founders, Beijing Linekong Online acquired effective control over the financial and operational policies of Linekong Entertainment and became exposed to the variable returns arising from Linekong Entertainment. Accordingly, Linekong Entertainment became the subsidiary of Beijing Linekong Online for accounting purpose. Further details of the Contractual Arrangements are set out in Note 2.2(a)(i) below.

(iii). Beijing Linekong Online also entered into a series of contractual arrangements on April 22, 2008 with the Original Founders and Beijing Huanteng Dongli Culture Media Co., Ltd. (“Beijing Huanteng”). Beijing Huanteng was established in 2004 in the PRC and acquired by the Original Founders with nil consideration in January 2008. No business was carried out by Beijing Huanteng since it was acquired by the Original Founders and it did not have significant net assets. These contractual arrangements with the Original Founders and Beijing Huanteng were terminated in March 2014.

Upon completion of the Reorganization, the Company became the ultimate holding company of the Group.

After the Reorganization, the Company raised four rounds of financing in forms of preferred shares, namely, Series A preferred shares and Series B preferred shares issued in 2008, Series C and Series D preferred shares issued in 2014 (Note 21).

From 2009 to 2013, Mr. Wang Lei, Mr. Wang Wei and Mr. Wu Rui left the Company and their shares were transferred to the remaining shareholders.

On January 8, 2014, Linekong Holdings Limited was established by the Company as a wholly owned subsidiary in the British Virgin Islands (the “BVI”) as the holding company of overseas subsidiaries to facilitate the Group’s overseas business expansion.

On March 21, 2014, the Company set up a restricted shares unit (“RSU”) scheme (“RSU Scheme”) pursuant to a resolution passed by the Board of Directors of the Company on the same day (Note 18(c)).

As of the date of December 31, 2012, 2013, and June 30, 2014 and the date of this report, the Company had direct or indirect interests in the following subsidiaries:

(a) Directly held by the Company:

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Equity interest held as of				Principal activities and place of operation	Note
			December 31,		June 30,	Date of this		
			2012	2013	2014	report		
Linekong Online (Beijing) Internet Technology Co., Ltd	PRC/ April 14, 2008	USD 16,870,000	100%	100%	100%	100%	Technology consulting and services/ the PRC	(1)
Linekong Holdings Limited	BVI/ January 8, 2014	USD 1	-	-	100%	100%	Investment holdings/ BVI	(2)

(b) Indirectly held by the Company:

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Equity interest held as of				Principal activities and place of operation	Note
			December 31, 2012	June 30, 2013	June 30, 2014	Date of this report		
Linekong Asia Co., Limited	Hong Kong/ March 27, 2014	HKD 10,000	-	-	100%	100%	Investment holdings/ Hong Kong	(3)
Linekong Korea Co., Ltd.	South Korea / April 16, 2014	KER 100,000,000	-	-	-	100%	Game operation and game research and development/ South Korea	(3)
Linekong Interactive Entertainment (Hong Kong) Co., Limited (Note 33(a))	Hong Kong/ April 27, 2012	HKD 10,000	-	-	-	100%	Game operation/ Hong Kong	(4)

(c) Controlled by the Company pursuant to the Contractual Agreements:

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Equity interest held as of				Principal activities and place of operation	Note
			December 31, 2012	2013	2014	Date of this report		
Linekong Entertainment Technology Co., Ltd.	PRC/ March 30, 2007	RMB 10,000,000	100%	100%	100%	100%	Game operation and game research and development/ the PRC	(1)
Duobianxing (Beijing) Technology Co., Ltd. ("Duobianxing")	PRC/ March 30, 2007	RMB 30,000	100%	100%	100%	100%	Game research and development/ the PRC	(5)
Beijing Sanqiren Technology Co., Ltd. ("Beijing Sanqiren")	PRC/ December 7, 2007	RMB 100,000	100%	100%	100%	100%	Game research and development/ the PRC	(5)
Beijing Huanteng Dongli Culture Media Co., Ltd.	PRC/ January 7, 2008	RMB 1,000,000	100%	100%	-	-	Technology consulting and services/ the PRC	(6)
Linekong Xingyun (Beijing) Technology Co., Ltd.	PRC/ January 16, 2008	RMB 100,000	100%	100%	100%	100%	Game research and development/ the PRC	(5)
Zhuhai Linekong Online Technology Co., Ltd.	PRC/ October 30, 2008	RMB 10,000,000	97%	97%	97%	97%	Game research and development/ the PRC	(5)

Company Name	Place and date of incorporation/ establishment	Issued and paid-in capital/ registered capital	Equity interest held as of				Principal activities and place of operation	Note
			December 31, 2012	March 31, 2013	March 31, 2014	Date of this report		
Gude Shidai Technology Co., Ltd.	PRC/June 17, 2011	RMB 200,000 (paid-in capital)/ RMB1,000,000 (registered capital)	87.75%	-	-	-	Game research and development/ the PRC	(7)
Shouyoutong (Beijing) Technology Co., Ltd. ("Shouyoutong", previously known as Beijing Huoying Shidai Network Technology Co., Ltd.)	PRC/ August 26, 2011	RMB 10,000,000	80%	100%	100%	100%	Game operation/ the PRC	(5)
Beijing Zhixun Tiantong Technology Co., Ltd.	PRC/June 13, 2012	RMB 1,000,000	80%	100%	100%	100%	Game research and development/ the PRC	(8)
Linekong Interactive Entertainment (Hong Kong) Co., Limited (Note 33(a))	Hong Kong/ April 27, 2012	HKD 10,000	100%	100%	100%	-	Game operation/ Hong Kong	(4)
Tianjin Baba Liusi Network Technology Co., Ltd. ("Tianjin 8864")	PRC/ December 26, 2012	RMB 10,000,000	100%	100%	100%	100%	Game operation/ the PRC	(8)
Beijing Zhixun Tiantong Information Technology Co., Ltd.	PRC/May 20, 2014	RMB 2,000,000	-	-	100%	100%	Game research and development/ the PRC	(3)
Beijing Lanhujing Technology Co., Ltd.	PRC/May 29, 2014	RMB 10,000,000	-	-	100%	100%	Game research and development/ the PRC	(3)
Beijing Quweizhijian Network Technology Co., Ltd.	PRC/ July 25, 2014	RMB 10,000,000	-	-	-	100%	Game research and development/ the PRC	(3)

The English names of certain companies referred above represent management's best effort in translating the Chinese names of these companies as they do not have official English names.

All companies comprising the Group have adopted December 31 as their financial year-end date.

The Group's major subsidiaries are based in the PRC and majority of their transactions are denominated in Renminbi RMB. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchanges control promulgated by the PRC government. As of December 31, 2012 and 2013 and June 30, 2014, other than the restrictions from exchange control regulations, there is no significant restriction on the Group's ability to access or use the assets and settle the liabilities of the Group.

Notes

- (1) The statutory auditor of this company for the years ended December 31, 2012 and 2013 was 北京安審會計師事務所有限公司 (Beijing Anshen Certified Public Accountants Co., Ltd.).
- (2) No statutory financial statements have been prepared by the company as BVI does not have any statutory audit requirements.
- (3) No statutory financial statements have been prepared by these companies as they were newly established in 2014.
- (4) No statutory financial statements for the year ended December 31, 2012 have been prepared by this company as it was established in 2012. The statutory auditor of this company for the year ended December 31, 2013 was 張志海會計師事務所 (Jimmy C.H. Cheung & Co., CPA).
- (5) The statutory auditor of this company for the year ended December 31, 2012 was 大華會計師事務所特殊普通合夥 (Da Hua Certified Public Accountants (Special General Partnership)), previously known as 大華會計師事務所有限公司 (Da Hua Certified Public Accountants Co., Ltd). The statutory auditor of this company for the year ended December 31, 2013 was 北京安審會計師事務所有限公司 (Beijing Anshen Certified Public Accountants Co., Ltd.).
- (6) No statutory financial statements have been prepared by this company as it was in dormant and no business was carried out during the Relevant Periods.
- (7) The statutory auditor of this company for the year ended December 31, 2012 was 大華會計師事務所特殊普通合夥 (Da Hua Certified Public Accountants (Special General Partnership)), previously known as 大華會計師事務所有限公司 (Da Hua Certified Public Accountants Co., Ltd).
- (8) No statutory financial statements for the year ended December 31 2012 have been prepared by this company as it was established in 2012. The statutory auditor of this company for the year ended December 31, 2013 was 北京安審會計師事務所有限公司 (Beijing Anshen Certified Public Accountants Co., Ltd.).

1.3 Basis of presentation

During the Relevant Periods, the Listing Business was carried out by the PRC Operational Entities and other subsidiaries of the Company in other countries and regions. The PRC Operational Entities were under the control of the Founders, and through the Contractual Arrangements, both the PRC Operational Entities and the business carried out by them are under the effective control of Beijing Linekong Online, and ultimately the Company. Accordingly, the Financial Information of the Group has been prepared on a consolidated basis and is presented using the carrying value of the Listing Business for all periods presented.

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

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the Financial Information are set out below. These policies have been consistently applied throughout the Relevant Periods, unless otherwise stated.

2.1 Basis of preparation

The Financial Information of the Group has been prepared in accordance with International Financial Reporting Standards (“IFRSs”) issued by the International Accounting Standards Board (“IASB”) and the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited. The Financial Information has been prepared under the historical

cost convention, as modified by the revaluation of financial assets and financial liabilities at fair value through profit or loss, which are carried at fair value.

The preparation of the Financial Information in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Information are disclosed in Note 4 below.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning January 1, 2014, are consistently applied to the Group for the Relevant Periods.

The following new standards, amendments and interpretations to existing standards have been issued but are not effective for the financial year beginning January 1, 2014 and have not been early adopted by the Group.

- Annual improvements 2012: these amendments include changes from the 2010-2012 cycle of the annual improvements project of IFRSs, that affect following standards:

- IFRS 2, "Share-based payment"

The amendment clarifies the definition of a "vesting condition" and separately defines "performance condition" and "service condition". The amendment to IFRS 2 is prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. Earlier application is permitted.

- IFRS 3, "Business combinations" and consequential amendments to IFRS9, "Financial instruments", IAS 37, "Provisions, contingent liabilities and contingent assets", and IAS 39, "Financial instruments — Recognition and measurement".

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32, "Financial instruments: Presentation". All non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognized in profit and loss. The amendment to IFRS 3, IFRS 9, IAS 37 and IAS 39 are prospectively applied to business combinations where the acquisition date is on or after July 1, 2014. Earlier application is permitted. An entity may apply the amendment earlier provided that IFRS 9, IAS 37 and IAS 39 (all as amended by Annual Improvements to IFRSs 2010-2012 cycle) have also been applied.

- IFRS 8, "Operating segments"

The standard is amended to require disclosure of the judgments made by management in aggregating operating segments and a reconciliation of segment assets to the entity's assets when segment assets are reported. An entity shall apply the amendment to IFRS 8 for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

- IAS 16, "Property, plant and equipment" and IAS 38, "Intangible assets"

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. An

entity shall apply the amendments to IAS 16 and IAS 38 for annual periods beginning on or after July 1, 2014. Earlier application is permitted. An entity shall apply the amendments to IAS 16 and IAS 38 to all revaluations recognized in annual periods beginning on or after the date of initial application of the amendment and in the immediately preceding annual period. Adjusted comparative information for any earlier periods presented is not mandatory.

- IAS 24, “Related Party Disclosures”

The reporting entity is not required to disclose the compensation paid by the management entity (as a related party) to the management entity’s employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for key management performance services provided. An entity shall apply the amendment to IAS 24 for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

- Annual improvements 2013: The amendments include changes from the 2011-2013 cycle of the annual improvements project of IFRSs that affect following standards:

- IFRS 3, “Business combinations”

It clarifies that IFRS 3 does not apply to the accounting for the formation of any joint arrangement under IFRS 11 “Joint arrangements” in the financial statements of the joint arrangement. An entity shall apply the amendment to IFRS 3 prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

- IFRS 13, “Fair value measurement”

It clarifies that the portfolio exception in IFRS 13, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of IAS 39 or IFRS 9. An entity shall apply the amendment to IFRS13 for annual periods beginning on or after July 1, 2014 and prospectively from the beginning of the first annual period in which IFRS 13 is applied. Earlier application is permitted.

- IAS 40, “Investment property”

It clarifies that preparers also need to refer to the guidance in IFRS 3 to determine whether the acquisition of an investment property is a business combination. An entity shall apply the amendment to IAS 40 for annual periods beginning on or after July 1, 2014. An entity may choose to apply the amendment to individual acquisitions of investment property before July 1, 2014 if, and only if, the information necessary to apply the amendment is available.

IFRS 15, “Revenue from Contracts with Customers”: IFRS 15 establishes a comprehensive framework for determining when to recognize revenue and how much revenue to recognize through a 5-step approach. The core principle is that a company should recognize revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset-liability” approach based on transfer of control. IFRS 15 provides specific

guidance on capitalization of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers. IFRS 15 replaces the previous revenue standards: IAS 18 Revenue and IAS 11 Construction Contracts, and the related interpretations on revenue recognition. An entity shall apply IFRS 15 for annual reporting periods beginning on or after January 1, 2017. Earlier application is permitted.

- Amendment to IFRS 11, "Acquisition of interest in joint operations", requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a "business" (as defined in IFRS 3, "Business combinations"). Specifically, an investor will need to:
 - measure identifiable assets and liabilities at fair value;
 - expense acquisition-related costs;
 - recognize deferred tax; and
 - recognize the residual as goodwill.

All other principles of business combination accounting apply unless they conflict with IFRS 11. The amendment is applicable to both the acquisition of the initial interest and a further interest in a joint operation. The previously held interest is not remeasured when the acquisition of an additional interest in the same joint operation with joint control maintained. Amendment to IFRS 11 is effective for an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016, with earlier application permitted.

- Amendment to IAS 16 and IAS 38, "Clarification of acceptable methods of depreciation and amortization", clarifies when a method of depreciation or amortization based on revenue may be appropriate. The amendment to IAS 16 clarifies that depreciation of an item of property, plant and equipment based on revenue generated by using the asset is not appropriate. The amendment to IAS 38 establishes a rebuttable presumption that amortization of an intangible asset based on revenue generated by using the asset is inappropriate. The presumption may only be rebutted in certain limited circumstances:
 - where the intangible asset is expressed as a measure of revenue; or
 - where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

The amendments are effective for an entity's first annual IFRS financial statements for a period beginning on or after January 1, 2016, with earlier application permitted.

- IFRS 9 (2014), "Financial instruments" replaces the whole of IAS 39. IFRS 9 has three financial asset classification categories for investments in debt instruments: amortized cost, fair value through other comprehensive income ("OCI") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics. Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss. For financial liabilities there two classification categories: amortized cost and fair value through profit or loss. Where non-derivative financial liabilities are designated at fair value through

profit or loss, the changes in the fair value due to changes in the liability's own credit risk are recognized in OCI, unless such changes in fair value would create an accounting mismatch in profit or loss, in which case, all fair value movements are recognized in profit or loss. There is no subsequent reclassification of the amounts in OCI to profit or loss. For financial liabilities held for trading (including derivative financial liabilities), all changes in fair value are presented in profit or loss.

IFRS 9 introduces a new model for the recognition of impairment losses - the expected credit losses ("ECL") model, which constitutes a change from the incurred loss model in IAS 39. IFRS 9 contains a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortized cost a day-one loss equal to the 12-month ECL is recognized in profit or loss. In the case of accounts receivable, this day-one loss will be equal to their lifetime ECL. Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

IFRS 9 applies to all hedging relationships, with the exception of portfolio fair value hedges of interest rate risk. The new guidance better aligns hedge accounting with the risk management activities of an entity and provides relief from the more "rule-based" approach of IAS 39. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Group is in the process of making an assessment of the impact of the above new standards and amendments to existing standards on the financial statements of the Group in their initial applications.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group has power over the entity and is exposed to or has rights to receive variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognized in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(i) Subsidiaries arising from Reorganization

The wholly-owned subsidiary, Beijing Linekong Online, has entered into the Contractual Arrangements with Linekong Entertainment and its equity holders, which enable Beijing Linekong Online and the Group to:

- exercise effective financial and operational control over Linekong Entertainment;
- exercise equity holders' voting rights of Linekong Entertainment;

- receive substantially all of the economic interest returns generated by Linekong Entertainment in consideration for the business support, technical and consulting services provided by Beijing Linekong Online;
- obtain an irrevocable and exclusive right to purchase all or part of the equity interests in Linekong Entertainment from the respective equity holders at a minimum purchase price permitted under PRC laws and regulations, and all or part of the assets of Linekong Entertainment at the net book value of such assets or such minimum purchase price permitted under PRC laws and regulations. Beijing Linekong Online may exercise such options at any time until it has acquired all equity interests and/or all assets of Linekong Entertainment;
- obtain a pledge over the entire equity interests of Linekong Entertainment from its respective equity holders as collateral security for all of Linekong Entertainment's payments due to Beijing Linekong Online and to secure performance of Linekong Entertainment's obligation under the Contractual Arrangements.

The Group does not have any equity interest in Linekong Entertainment. However, as a result of the Contractual Arrangements, the Group has rights to receive variable returns from its involvement with Linekong Entertainment and has the ability to affect those returns through its power over Linekong Entertainment and is considered to control Linekong Entertainment. Consequently, the Company regards Linekong Entertainment as an indirect subsidiary under IFRSs. The Group has consolidated the financial position and results of Linekong Entertainment in the consolidated financial statements of the Group during the Relevant Periods (Refer to Note 1.3 of Section II above for details of the related presentation basis).

Nevertheless, the Contractual Arrangements may not be as effective as direct legal ownership in providing the Group with direct control over Linekong Entertainment and uncertainties presented by the PRC legal system could impede the Group's beneficiary rights of the results, assets and liabilities of Linekong Entertainment. The directors of the Company, based on the advice of its legal counsel, consider that the Contractual Arrangements among Beijing Linekong Online, Linekong Entertainment and its equity holders are in compliance with the relevant PRC laws and regulations and are legally binding and enforceable.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income/(loss) in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income/(loss) are reclassified to profit or loss.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Joint arrangements

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognized at cost and adjusted thereafter to recognize the Group's share of the post-acquisition profit or loss and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the group's net investment in the joint ventures), the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealized gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

2.6 Foreign currency translation

(a) Functional and presentation currency

Items included in the Financial Information of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is United States dollars ("USD"). The Company's primary subsidiaries were incorporated in the PRC and these subsidiaries considered Renminbi ("RMB") as their functional currency. The Financial Information is presented in RMB (unless otherwise stated), which is the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange

gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the consolidated statements of comprehensive loss within “finance income - net”. All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive loss within “other gains - net”.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet date presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each statements of comprehensive loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income/(loss) as currency translation differences.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance cost are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight line method to allocate their costs to their residual values over their estimated useful lives, as follows:

Furniture and office equipment	3 years
Server and other equipment	3 - 5 years
Motor vehicles	4 - 5 years
Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognized within “other gains — net”, in the consolidated statements of comprehensive loss.

2.8 Intangible assets

(a) Computer software

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

(b) Research and development expenditures

Research expenditure is recognized as an expense as incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are capitalized as intangible assets when recognition criteria are fulfilled. These criteria includes: (1) it is technically feasible to complete the game product so that it will be available for use; (2) management intends to complete the game product and use or sell it; (3) there is an ability to use or sell the game product; (4) it can be demonstrated how the game product will generate probable future economic benefits; (5) adequate technical, financial and other resources to complete the development and to use or sell the game product are available; and (6) the expenditure attributable to the game product during its development can be reliably measured. Other development expenditures that do not meet those criteria are recognized as expenses as incurred. During the Relevant Periods, there were no development costs meeting these criteria and capitalized as intangible assets.

Development costs previously recognized as expenses are not recognized as assets in subsequent periods. Capitalized development costs are amortized from the point at which the assets are ready for use on a straight-line basis over their useful lives.

(c) Trademarks and licences

Separately acquired trademarks and licences are reported at historical cost. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortization.

Amortization is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 31 months and 24 to 72 months, respectively.

2.9 Impairment of non-financial assets

Assets that have an indefinite useful life or are not yet available for use are not subject to amortization and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.10 Financial assets

2.10.1 Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale. The classification

depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

All the financial assets of the Group are classified as loans and receivables at each reporting date during the Relevant Periods.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables comprise "trade receivables", "other receivables", "short-term bank deposits" and "cash and cash equivalents" in the consolidated balance sheets.

2.10.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognized on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortized cost using the effective interest method.

2.10.3 Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in profit or loss. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recognized impairment loss is recognized in profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected to be in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment.

2.13 Cash and cash equivalents

In the consolidated statements of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

2.14 Term deposits

Term deposits represent time deposits placed with banks. Deposits with original maturities of one year or less are reported as current assets. Interest earned is recorded as interest income in the consolidated statements of comprehensive loss during the years/periods presented.

2.15 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Where any group company purchases the Company's equity share capital (treasury shares), the considerations paid, including any directly attributable incremental costs, is deducted from equity attributable to the Company's equity holders until the shares are cancelled or reissued. Where such shares are subsequently reissued, any consideration received (net of any directly attributable incremental transaction costs) is included in equity attributable to the Company's equity holders.

2.16 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Convertible preferred shares

Convertible preferred shares ("Preferred Shares") can be converted into ordinary shares of the Company at any time at the option of the holders. Additionally, the Preferred Shares shall automatically be converted into ordinary shares upon occurrence of an initial public offering of the Company or upon approval by majority of the holders of 3 of the 4 classes Preferred Shares each voting as a separate class.

The Group designated the Preferred Shares as financial liabilities at fair value through profit or loss. They are initially recognized at fair value. Any directly attributable transaction costs are recognized as finance costs in the consolidated statements of comprehensive loss.

Subsequent to initial recognition, the Preferred Shares are carried at fair value with changes in fair value recognized in the profit or loss.

The Preferred Shares are classified as non-current liabilities unless the Group has an obligation to settle the liability within 12 months after the end of the reporting period.

2.18 Current and deferred income tax

The income tax expenses for the period comprises expenses relating to current and deferred income tax. Income tax expenses are recognized in the profit or loss, except to the extent that the expenses relate to items recognized in other comprehensive income or directly in equity, in which case the income tax is also recognized in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company's subsidiaries and joint ventures operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

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

Deferred income tax assets are recognized only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries and joint ventures, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognized on deductible temporary differences arising from investments in subsidiaries and joint ventures only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilized.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.19 Employee benefits

The Group contributes based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan organized by relevant government authorities. The government authorities undertake to assume the retirement benefit obligations payable to all existing and future retired employees under such plan and the Group has no further obligation for post-retirement benefits beyond the contributions made. Contributions to the plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group.

2.20 Share-based payments**(a) Equity-settled share-based payment transactions**

The Group receives services from employees as consideration for equity instruments of the Company or the Company's subsidiaries. The fair value of the services received in exchange for the grant of the shares and RSUs is recognized as expenses.

In terms of shares and RSUs awarded to employees, the total amount to be expensed is determined by reference to the fair value of the shares and RSUs granted:

- including the impact of any market performance vesting conditions;
- excluding the impact of any service and non-market performance vesting conditions; and
- including the impact of any non-vesting conditions.

Non-market performance and service vesting conditions are included in assumptions about the number of shares and RSUs that are expected to vest. The total expenses are recognized over the vesting period over which all of the specified vesting conditions are to be satisfied.

At the end of each reporting period, the Group revises its estimates of the number of shares and RSUs that are expected to vest based on the non-marketing performance and service conditions. It recognizes the impact of the revision to original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

(b) Share-based payment transactions among group entities

The grant by the Company of its equity instruments to the employees of subsidiaries in the Group is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognized over the vesting period as an increase to investments in subsidiaries with a corresponding credit to equity in the separate financial statements of the Company.

2.21 Revenue recognition

The Group engaged in development and operation of online games. The Group primarily receives proceeds from sales of in-game virtual credits ("Game Credits") to the game players and licensing games and providing technical support to third party publishing partners.

The Group recognizes revenue when it can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's revenue streams as described below. Revenue is recorded at the fair value of consideration received or receivable net of sale tax, discounts and other promotions.

(a) Revenue generated from sales of in-game virtual items

The Group publishes its self-developed games as well as games licensed from third-party developers through its own web-based platforms (8864.com, Linekong.com) and cooperation with various third-party game distribution channels, payment collection channels and prepaid game card distributors. These game distribution channels include third party web-based platforms (such as 360.com, 4399.com), online application stores (such as Apple Inc.'s App Store installed in mobile phones and tablets), and web-based and mobile game portals in certain countries and regions (collectively referred to as "Game Distribution Channels").

The Group's games are free to play. Players can purchase Game Credits and then convert such Game Credits into various in-game virtual items for better in-game experience. The Group's paying players ("Paying Players") purchase the Game Credits either directly through the Game Distribution Channels' own charging systems or third-party payment channels, or through purchasing prepaid game cards from third-party pre-paid game card distributors. Game Distribution Channels, third party payment collection channels and third-party pre-paid game card distributors collect the payment from the Paying Players and remit the cash net of channel service charges or distribution discounts which are pre-determined according to the relevant terms of the agreements entered into between the Group and Game Distribution Channels, third party payment channels or third-party pre-paid game card distributors.

Principal Agent Consideration

The Group has evaluated the respective roles and responsibilities of the Group, third-party game developers, third-party Game Distribution Channels, third-party payment channels and third-party prepaid game card distributors in the delivery of game experience to the paying players in determining if the Group is acting as a principal or as an agent in the arrangement, and therefore if the Group's revenue from such arrangement should be reported on a gross or net basis, by assessing various factors, including but not limited to whether the Group (i) has the primary responsibility in the arrangement, and (ii) has latitude in establishing the selling prices.

The Group operates both its self-developed games and licensed games and takes primary responsibilities in the delivery of game experiences to the paying players, including marketing and promotion, determining distribution and payment channels, hosting game servers and providing customer services. In addition, the Group also controls game and service specifications and pricing of the in-game virtual items. Therefore the Group considers itself the principal in the delivery of game experience to the paying players as the Group has exposure to the significant risks and rewards associated with the operation of the games and thus records revenues on a gross basis. Payment to third-party game developers and channel service charges by Game Distribution Channels and third-party payment channels are recorded as cost of revenue.

As the Group has determined that it is the principal in the delivery of game experience to the paying players, the Paying Players are identified by the Group to be its customers. Accordingly the Group considers the actual price paid by the Paying Players to be the gross amount of revenue. In determining the gross amount of revenue generated from operations of the Group's self-developed games and licensed games, the Group makes estimates of the discounts given to the Paying Players by the third-party Game

Distribution Channels and third-party prepaid game card distributors based on available information and recorded such discounts as a deduction of revenue.

Recognition of revenue generated from sales of in game virtual items

Upon the sales of Game Credits, the Group typically has an implied obligation to provide services which enable the in game virtual items exchanged from the Game Credits to be displayed or used in the games. As a result, the proceeds received from sales of Game Credits directly through the Game Distribution Channels' own charging systems or third-party payment collection channels are initially recorded by the Group as deferred revenue, while the proceeds received from sales of prepaid game cards are initially recorded as advance received from sales of prepaid game cards in trade and other payables. Such advance from sales of prepaid game cards is transferred to deferred revenue when the game cards are activated by the players, i.e. the first time the players use the pre-paid game cards to credit the Game Credits to their game accounts.

The Paying Players use the Game Credits to purchase in-game virtual items. Deferred revenue from the sales of Game Credits is immediately or ratably recognized as revenue only when the services relating to the in-game virtual items purchased by the Paying Players are rendered to the respective Paying Players. For the purposes of determining when services have been provided, the Group has determined the following:

- Consumable items represent in-game items that can be consumed by a specific player action or expire over a pre-determined expiration time. The Group keeps track of the consumption or expiration of all the consumable items in the game. The common characteristics of the consumable items include (a) items will be no longer displayed on the player's game account after a specified period of time ranging from several days to several months or after a player consumes the items through performing in-game actions, and (b) once the items are consumed or expired, the Group does not have further obligations in connection with such items. Revenues in relation to consumable items are recognized (as a release from deferred revenue) over the period that they are expiring or after they are consumed, as the Group's obligations in connection with such items have been fully rendered to the players after their consumption or expiration.
- Permanent ownership items represent in-game items that are accessible by the Paying Players as long as they play the game. The Group will provide continuous online game services in connection with these permanent ownership items until they are no longer used by the Paying Players. Revenues in relation to the permanent ownership items are recognized over their estimated lives. The Group considers player behaviour patterns in estimating the lives of permanent ownership items ("Player Relationship Period"), which is the average period between the first date the Paying Players charge their accounts and the last date these Paying Players would play the game, and it represents the Group's best estimate for the lives of the in-game permanent ownership items purchased by the Paying Players.

The Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods quarterly or semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, it estimates the Player Relationship Period based on other games with similar characteristics developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group considers the games profile and target audience when estimating the Player Relationship Period.

If the Group does not have the ability to differentiate revenue attributable to permanent ownership virtual items from consumable virtual items for a specific game, the Group recognizes revenue from both permanent ownership and consumable virtual items for that game ratably over the Player Relationship Period.

(b) Revenue generated from licensing and technical support fee

The Group also derives revenue from licensing games and providing technical support services to third-party publishing partners primarily from overseas market.

Licensing revenue is recognized on a straight-line basis over the licensing period. Technical support revenue is recognized when technical support services are rendered.

The Group has evaluated the respective roles and responsibilities of the Group and the international game publishers in the delivery of game experience to overseas Paying Players and concluded that the international game publishers have the primary responsibility in these license arrangements as they are responsible for marketing and promotion of the games in each overseas market, hosting the game servers, determining the price of the in-game virtual items, selection of distribution and payment channels and providing customer services, and therefore have exposure to the significant risks and rewards associated with the operation of these games under license. Accordingly the Group records technical support fee, which is calculated based on a pre-determined percentage of the proceeds received by international game publishers from the overseas Paying Players, on a net basis.

2.22 Interest income

Interest income mainly represents interest income from bank deposits and is recognized using effective interest method.

2.23 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in profit or loss over the periods necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in deferred revenue and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.24 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognized as a liability in the Group's and the Company's Financial Information in the period in which the dividends are approved by the Company's shareholders or Board of Directors, where appropriate.

3. Financial risk management

3.1 Financial risk factors

The Group is subject to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management strategy seeks to minimize the potential adverse effects on the financial performance of the Group. Risk management is carried out by the senior management of the Group and approved by the Board of Directors.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in the PRC and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to USD. All of the transactions of the Company are denominated and settled in its functional currency, USD. Therefore, foreign exchange risk primarily arose from recognized assets in the Group's PRC subsidiaries when receiving or to receive foreign currencies from overseas cooperated counterparties. The Group does not hedge against any fluctuation in foreign currency.

For the Group's PRC subsidiaries whose functional currency is RMB, if USD had strengthened/weakened by 5% against RMB with all other variables held constant, the post-tax loss would have been approximately RMB240,000, RMB1,346,000 and RMB1,202,000 lower/higher for the years ended December 31, 2012 and 2013 and for the six months ended June 30, 2014, respectively, as a result of net foreign exchange gains/losses on translation of net monetary assets denominated in USD.

(ii) Interest rate risk

The Group's and the Company's interest rate risk primarily arose from Preferred Shares, the valuation of which is affected by market interest rate. Please refer to Note 4.1(e) for related sensitivity analysis.

During the Relevant Periods, other than those mentioned above, management of the Group is of the opinion that other interest rate risk (such as interest rate risk on bank deposits) was not material to the Group and the Company.

(iii) Price risk

The Group is exposed to price risk in respect of Preferred Shares carried at fair value with changes in fair value recognized in the profit or loss. Fair value of Preferred Shares is affected by changes in the Group's market value. The Group is not exposed to commodity price risk.

If the Group's equity value had increased/decreased by 10% with all other variables held constant, loss before income tax for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014 would have been approximately RMB12,801,000 higher/RMB12,684,355 lower, RMB49,618,500 higher/RMB49,549,000 lower and RMB46,933,000 higher/RMB46,651,100 lower, respectively.

(b) Credit risk

The carrying amounts of cash and cash equivalents and short-term bank deposits placed with banks and financial institutions, trade receivables, other receivables included in the Financial Information represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

To manage risk of bank deposits, deposits are mainly placed with reputable financial institutions. There has been no recent history of default in relation to these financial institutions.

For trade receivables, a significant portion of trade receivables at the end of each of the Relevant Periods was due from those Game Distribution Channels in cooperation with the Group. If the strategic relationship with Game Distribution Channels is terminated or scaled-back; or if the co-operative arrangements with the Game Distribution Channels are altered; or if they experience financial difficulties in paying the Group, the Group's trade receivables might be adversely affected in terms of recoverability.

To manage this risk, the Group maintains frequent communications with the Game Distribution Channels to ensure the effective credit control. In view of the history of cooperation with the Game Distribution Channels and the sound collection history of receivables due from them, management believes that the credit risk inherent in the Group's outstanding trade receivable balances due from Game Distribution Channels is low.

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

The Group has no significant concentrations of credit risk with respect to its customers, except for the trade receivables due from Game Distribution Channels and payment channels as discussed below. The Group assesses the credit quality of and sets credit limits on its debtors by taking into account their financial position, the availability of guarantees from third parties, their credit history and other factors such as current market conditions.

(c) Concentration risk

There are no customers whose revenues individually represent greater than 10% of the total revenues of the Group for the years ended December 31, 2012 and 2013 and each of the six months ended June 30, 2013 and 2014.

Revenues generated from sales of in-game virtual items through Game Distribution Channels representing over 10% of total revenues for the years ended December 31, 2012 and 2013 and each of the six months ended June 30, 2013 and 2014 are as follows:

	<u>Year ended</u>		<u>Six months ended</u>	
	<u>December 31,</u>		<u>June 30,</u>	
	<u>2012</u>	<u>2013</u>	<u>2013</u>	<u>2014</u>
			(Unaudited)	
Game Distribution Channel A	11%	18%	18%	9%
Game Distribution Channel B	-	13%	8%	25%
	<u>11%</u>	<u>31%</u>	<u>26%</u>	<u>34%</u>

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

	<u>As of</u>		<u>As of</u>
	<u>December 31,</u>	<u>2013</u>	<u>June 30,</u>
	<u>2012</u>		<u>2014</u>
Game Distribution Channel A	14%	12%	6%
Game Distribution Channel B	-	34%	23%
	<u>14%</u>	<u>46%</u>	<u>29%</u>

(d) Liquidity risk

The Group aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group's finance department maintains flexibility in funding by maintaining adequate cash and cash equivalents.

The table below analyses the Group and the Company's non-derivative financial liabilities that will be settled on a net basis into relevant maturity grouping based on the remaining period at each balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2012				
Trade and other payables (excluding advance, salary and staff welfare payables and other taxes payable)	33,753	-	-	33,753
At December 31, 2013				
Trade and other payables (excluding advance, salary and staff welfare payables and other taxes payable)	37,119	-	-	37,119
At June 30, 2014				
Trade and other payables (excluding advance, salary and staff welfare payables and other taxes payable)	75,920	-	-	75,920

Company

	<u>Less than 1 year</u>	<u>Between 1 and 2 years</u>	<u>Between 2 and 5 years</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2012				
Other payables	22	-	-	22
At December 31, 2013				
Other payables	108	-	-	108
At June 30, 2014				
Other payables	4,423	-	-	4,423

As of December 31, 2012, 2013 and June 30, 2014, Series A and Series B Preferred Shares were classified as non-current liability because the Group believes it has no obligation to settle the liability within 12 months after the end of each reporting period as Series A and Series B preferred shares investors are not entitled to any redemption right.

The maximum exposure of the redemption of Series C and Series D Preferred Shares is the contractual redemption price which is equal to 100% of respective issue price plus 9% simple interest per annum (not compounded basis), plus any declared but unpaid dividends if a redemption event occurs as

described in Note 21. As of June 30, 2014, Series C and Series D Preferred Shares were classified as non-current liability and the Group believes the likelihood of occurrence of redemption event is remote and believes it has no obligation to settle the liability within 12 months.

The Group has been incurring losses during the Relevant Periods and has accumulated deficit amounted to RMB330,117,000, RMB681,320,000 and RMB723,520,000 as of December 31, 2012, 2013 and June 30, 2014, respectively.

The Group's liquidity is based on its ability to generate cash to fund its operations, its ability to attract investors and its ability to borrow funds on favourable economic terms. Historically, the Group has relied principally on both operational sources of cash and non-operational sources of financing from investors to fund its operations and capital expansion needs. The Group's ability to continue as a going concern is dependent on management's ability to successfully execute its business plan, which includes increasing revenues while controlling operating expenses, as well as, generating operational cash flows, and continued support from outside sources of financing. The Group believes its current cash balance will be sufficient to meet the Group's operating cash needs for the period of twelve months from the latest balance sheet date. The net cash generated from operating activities was RMB27,074,000, RMB108,001,000 and RMB61,647,000 for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014, respectively. In addition, the losses and the deficit during the Relevant Periods were mainly due to significant non-cash amount of fair values loss of the Preferred Shares. Based on the above considerations, the Group's consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and liquidation of liabilities during the normal course of operations.

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain optimal capital structure to enhance shareholders' value in the long term.

The Group monitors capital (including share capital, capital reserves and Preferred Shares on an as-if converted basis) by regularly reviewing the capital structure. As a part of this review, the directors of the Company consider the cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or repurchase the Company's shares. In the opinion of the directors of the Company, the Group's capital risk is low.

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's and Company's liabilities that are measured at fair value at December 31, 2012 and 2013 and June 30, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>	<u>RMB'000</u>
At December 31, 2012				
Liabilities				
Convertible preferred shares	<u>-</u>	<u>-</u>	<u>288,975</u>	<u>288,975</u>
At December 31, 2013				
Liabilities				
Convertible preferred shares	<u>-</u>	<u>-</u>	<u>719,831</u>	<u>719,831</u>
At June 30, 2014				
Liabilities				
Convertible preferred shares	<u>-</u>	<u>-</u>	<u>1,151,072</u>	<u>1,151,072</u>

The fair value of financial instruments traded in active markets is determined based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required for evaluating the fair value of a financial instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

Specific valuation techniques used to value financial instruments include:

- quoted market prices or dealer quotes for similar instruments
- discounted cash flow model and unobservable inputs mainly including assumptions of expected future cash flows and discount rate
- a combination of observable inputs and unobservable inputs, including discount rate, risk-free interest rate, expected volatility and market multiples.

The following table presents the changes in level 3 financial liability instruments for each of the years ended December 31, 2012 and 2013 and each of the six months ended June 30, 2013 and 2014:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Opening balance	156,505	288,975	288,975	719,831
Issuance of Preferred Shares	-	-	-	306,906
Fair value change	133,388	446,208	133,468	116,817
Exchange (gains)/losses	(918)	(15,352)	(6,097)	7,518
Closing balance	<u>288,975</u>	<u>719,831</u>	<u>416,346</u>	<u>1,151,072</u>

4. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

(a) Estimates of sales discounts

Pre-paid game cards selling discounts

As described in Note 2.21(a), the Group sells pre-paid game cards to third party pre-paid cards distributors on a wholesale basis, typically at a discount of 10% off the face value of the cards, and requires the distributors to make full payments in cash of the discounted purchase prices before delivering the cards. Although the Group is determined to be the principal in the arrangement in the delivery of game experience to the Paying Players, the Group gives certain latitude to its primary third-party pre-paid game cards distributors to set the selling price of the pre-paid game cards to their sub-distributors or the Paying Players. The sub-distributors also have limited discretion to determine the final price paid by the Paying Players. Due to multi-layers of distributor network involved and wide range of selling price offered to the Paying Players by third-party pre-paid game cards distributors, the discounts eventually offered to the Paying Players by the distributors cannot be captured directly by the Group. The Group makes estimate of the discounts offered to the Paying Players to be the maximum discount that it offered to distributors, as such the Group records revenue related to sales of pre-paid cards based on the amount received from its primary third-party pre-paid card distributors, which equals to the amount of face value of the pre-paid game cards minus the maximum discount that the Group offered to distributors.

Discounts offered by Game Distribution Channels

As described in Note 2.21, the Group distributed its online games through its own distribution platform as well as Game Distribution Channels. Some of these Game Distribution Channels offered

volume discounts occasionally to Paying Players during the Relevant Periods. Since the Group's system cannot capture the actual amounts paid by the Paying Players when volume discounts are offered by Game Distribution Channels, the Group estimates such discounts offered by those Game Distribution Channels and deducted them from revenue. Such estimates are based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-valuation on a quarterly basis.

(b) Estimates of the Player Relationship Period

As described in Note 2.21, the Group recognizes revenue from permanent ownership virtual items ratably over the Player Relationship Period. The determination of Player Relationship Period in each game is based on the Group's best estimate that takes into account all known and relevant information at the time of assessment. Such estimates are subject to re-evaluation on a semi-annual or quarterly basis. Any adjustments arising from changes in the Player Relationship Period as a result of updated information will be accounted for prospectively as a change in accounting estimate.

(c) Fair value of share-based awards to the Founders

Two employees and two Original Founders transferred their shares in the Company to the Founders. The directors have used the discounted cash flow method to determine the total fair value of these shares transferred. Significant judgments on key assumptions, such as discount rate and projections of future performance of the Group are required to be made by the directors (Note 18(b)).

The share-based compensation expenses related to shares awarded to the Founders for the years ended December 31, 2012 and 2013, would have been, RMB595,000 lower/RMB656,000 higher, RMB2,331,000 lower/2,620,000 higher should the discount rate used in discount cash flow analysis was higher/lower by 100 basis points from management's estimates.

(d) Recognition of share-based compensation expenses of RSU

The fair values of RSU granted as mentioned in Note 18(c) are measured on the respective grant dates based on the fair value of the underlying shares. In addition, the Group is required to estimate the expected percentage of grantees that will remain in employment with the Group or, where applicable, if the performance conditions for vesting will be met at the end of the vesting period. The Group only recognizes an expense for those RSUs expected to vest over the vesting period during which the grantees become unconditionally entitled to these share-based awards. Changes in these estimates and assumptions could have a material effect on the determination of the fair value of RSUs and the amount of such share-based awards expected to become vested, which may in turn significantly impact the determination of the share-based compensation expenses.

The fair value of RSUs at the time of grant is to be expensed over the vesting period of these share-based awards based on an accelerated graded attribution approach. Under the accelerated graded attribution approach, each vesting installment of a graded vesting award is treated as a separate share-based award, which means that each vesting installment will be separately measured and attributed to expense, resulting in accelerated recognition of share-based compensation expenses.

Based on the fair value of the share-based awards, the expected turnover rate of grantees and the probability that the performance conditions for vesting are met, the corresponding share-based compensation expenses recognized by the Group in respect of the services rendered for the six months ended June 30, 2014 were RMB43,554,000 which would have been RMB2,062,000 lower/RMB2,318,000 higher should the discount rate used in discount cash flow analysis was higher/lower by 100 basis points from management's estimates.

(e) Fair value of the Preferred Shares at the end of each reporting period

The directors have used the discounted cash flow method to determine the underlying equity value of the Company and adopted equity allocation method to determine the fair value of the Preferred Shares. Key assumptions used to determine the above fair values are disclosed in Note 21.

The estimated fair value of Preferred Shares as of December 31, 2012 and 2013 and the June 30, 2014 would have been approximately, RMB10,489,000 lower/RMB11,555,000 higher, RMB31,249,000 lower/RMB34,947,000 higher, and RMB50,679,000 lower/RMB57,531,000 higher, should the discount rate used in the discount cash flow analysis higher/lower by 100 basis points from management's estimates.

(f) Current and deferred income taxes

The Group is subject to income taxes in several jurisdictions. There may be transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

4.2 Critical judgments in applying the Group's accounting policies**(a) Revenue deferred of certain games**

As mentioned in Note 2.21, in the case the Group does not possess relevant data and information to differentiate revenues attributable to permanent ownership and consumable virtual items of a specific game, revenues from both permanent ownership and consumable virtual items are deferred and recognized ratably over the expected Player Relationship Period of the specific game.

(b) Restrictions on ordinary shares held by the Original Founders and employee shareholders

As described in details in Note 16(b), the Original Founders together with one employee shareholder, the investors of Series A Preferred Shares, and the Company entered into a share restriction agreement on April 23, 2008 that the Original Founders and the employee shareholder agreed to have their shares held of the Company be subject to certain restrictions. The directors of the Company consider that the restrictions of these shares do not give rise to any additional value and benefits to the Original Founders and therefore the arrangement has not been accounted for as share-based payments. All restricted shares have been fully vested as of December 31, 2012.

5. Revenue and segment information

	<u>Year ended December 31,</u>		<u>Six months ended</u>	
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>	
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2013</u>	<u>2014</u>
			<u>(Unaudited)</u>	
			<u>RMB'000</u>	<u>RMB'000</u>
Development and operations of online games:				
- Sales of in-game virtual items	244,244	477,747	220,362	335,953
- License fee and technical support fee	21,389	37,250	16,438	26,865
	<u>265,633</u>	<u>514,997</u>	<u>236,800</u>	<u>362,818</u>

The Group offers its online games in different forms: client-based games, web-based games and mobile games. A breakdown of revenue derived from different forms of the Group's games during the Relevant Periods is as follows:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Sales of in-game virtual items, license fee and technical support fee:				
- Mobile games	99	249,158	68,413	313,898
- Web-based games	170,167	145,746	94,417	19,724
- Client-based games	95,367	120,093	73,970	29,196
	<u>265,633</u>	<u>514,997</u>	<u>236,800</u>	<u>362,818</u>

The chief operating decision maker of the Company consider that the Group's operations are operated and managed as a single segment of developing and distribution of online games, no segment information is presented accordingly.

The Group has a large number of game players, no revenue from any individual game player exceeded 10% or more of the Group's revenue during the Relevant Periods.

Almost all the Group's non-current assets were located in the PRC at December 31, 2012 and 2013 and June 30, 2014. Revenue from overseas customers was only generated by PRC Operational Entities before March 31, 2014 and generated by both PRC Operational Entities and the Group's oversea entities since April 2014. The revenue generated by the Group's oversea entities represents less than 10% of the total revenue of the Group for the six months ended June 30, 2014.

6. Property, plant and equipment

	Furniture and office equipment	Server and other equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2012					
Cost	6,189	15,645	696	3,425	25,955
Accumulated Depreciation	(4,090)	(7,705)	(218)	(368)	(12,381)
Net book amount	<u>2,099</u>	<u>7,940</u>	<u>478</u>	<u>3,057</u>	<u>13,574</u>
Year ended December 31, 2012					
Opening net book amount	2,099	7,940	478	3,057	13,574
Additions	276	4,442	524	30	5,272
Depreciation	(1,110)	(4,386)	(147)	(1,150)	(6,793)
Disposal	(349)	(32)	-	-	(381)
Closing net book amount	<u>916</u>	<u>7,964</u>	<u>855</u>	<u>1,937</u>	<u>11,672</u>
At December 31, 2012					
Cost	4,822	19,982	1,220	3,455	29,479
Accumulated Depreciation	(3,906)	(12,018)	(365)	(1,518)	(17,807)
Net book amount	<u>916</u>	<u>7,964</u>	<u>855</u>	<u>1,937</u>	<u>11,672</u>
Year ended December 31, 2013					
Opening net book amount	916	7,964	855	1,937	11,672
Additions	1,062	2,936	-	445	4,443
Depreciation	(635)	(4,287)	(242)	(1,146)	(6,310)
Disposals	(6)	(13)	-	-	(19)
Closing net book amount	<u>1,337</u>	<u>6,600</u>	<u>613</u>	<u>1,236</u>	<u>9,786</u>
At December 31, 2013					
Cost	5,126	21,351	1,220	3,433	31,130
Accumulated Depreciation	(3,789)	(14,751)	(607)	(2,197)	(21,344)
Net book amount	<u>1,337</u>	<u>6,600</u>	<u>613</u>	<u>1,236</u>	<u>9,786</u>
Six months ended June 30, 2013					
(Unaudited)					
Opening net book amount	916	7,964	855	1,937	11,672
Additions	579	2,266	-	-	2,845
Depreciation	(255)	(2,286)	(123)	(585)	(3,249)
Closing net book amount	<u>1,240</u>	<u>7,944</u>	<u>732</u>	<u>1,352</u>	<u>11,268</u>
At June 30, 2013 (Unaudited)					
Cost	5,401	22,248	1,220	3,455	32,324
Accumulated Depreciation	(4,161)	(14,304)	(488)	(2,103)	(21,056)
Net book amount	<u>1,240</u>	<u>7,944</u>	<u>732</u>	<u>1,352</u>	<u>11,268</u>

	Furniture and office equipment	Server and other equipment	Motor vehicles	Leasehold improvements	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Six months ended June 30, 2014					
Opening net book amount	1,337	6,600	613	1,236	9,786
Additions	695	2,610	1,610	-	4,915
Depreciation	(266)	(2,255)	(147)	(946)	(3,614)
Closing net book amount	<u>1,766</u>	<u>6,955</u>	<u>2,076</u>	<u>290</u>	<u>11,087</u>
At June 30, 2014					
Cost	5,821	23,961	2,830	3,433	36,045
Accumulated Depreciation	(4,055)	(17,006)	(754)	(3,143)	(24,958)
Net book amount	<u>1,766</u>	<u>6,955</u>	<u>2,076</u>	<u>290</u>	<u>11,087</u>

Depreciation charges were expensed in the following categories in the consolidated statements of comprehensive loss:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Cost of revenue	4,855	4,560	2,397	2,466
Administration expenses	554	529	278	346
Selling and marketing expenses	299	291	148	193
Research and development expenses	1,085	930	426	609
	<u>6,793</u>	<u>6,310</u>	<u>3,249</u>	<u>3,614</u>

7. Intangible assets

	Trademarks and licenses	Computer software	Total
	RMB'000	RMB'000	RMB'000
At January 1, 2012			
Cost	2,676	1,793	4,469
Accumulated amortization	(2,342)	(336)	(2,678)
Net book amount	<u>334</u>	<u>1,457</u>	<u>1,791</u>
Year ended December 31, 2012			
Opening net book amount	334	1,457	1,791
Additions	6,000	-	6,000
Impairment charge	(2,130)	-	(2,130)
Amortization	(1,375)	(364)	(1,739)
Closing net book amount	<u>2,829</u>	<u>1,093</u>	<u>3,922</u>

	Trademarks and licenses	Computer software	Total
	RMB'000	RMB'000	RMB'000
At December 31, 2012			
Cost	8,676	1,793	10,469
Accumulated impairment	(2,130)	-	(2,130)
Accumulated amortization	(3,717)	(700)	(4,417)
Net book amount	<u>2,829</u>	<u>1,093</u>	<u>3,922</u>
Year ended December 31, 2013			
Opening net book amount	2,829	1,093	3,922
Additions	3,980	342	4,322
Amortization	(1,178)	(367)	(1,545)
Closing net book amount	<u>5,631</u>	<u>1,068</u>	<u>6,699</u>
At December 31, 2013			
Cost	8,656	2,130	10,786
Accumulated amortization	(3,025)	(1,062)	(4,087)
Net book amount	<u>5,631</u>	<u>1,068</u>	<u>6,699</u>
Six months ended June 30, 2013 (Unaudited)			
Opening net book amount	2,829	1,093	3,922
Additions	1,480	72	1,552
Amortization	(509)	(175)	(684)
Closing net book amount	<u>3,800</u>	<u>990</u>	<u>4,790</u>
At June 30, 2013 (Unaudited)			
Cost	6,156	1,865	8,021
Accumulated amortization	(2,356)	(875)	(3,231)
Net book amount	<u>3,800</u>	<u>990</u>	<u>4,790</u>
Six months ended June 30, 2014			
Opening net book amount	5,631	1,068	6,699
Additions	7,000	385	7,385
Amortization	(985)	(220)	(1,205)
Closing net book amount	<u>11,646</u>	<u>1,233</u>	<u>12,879</u>
At June 30, 2014			
Cost	15,656	2,515	18,171
Accumulated amortization	(4,010)	(1,282)	(5,292)
Net book amount	<u>11,646</u>	<u>1,233</u>	<u>12,879</u>

Amortization charges were expensed in the following categories in the consolidated statements of comprehensive loss:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Cost of revenue	847	1,002	506	465
Administration expenses	59	39	21	21
Selling and marketing expenses	29	26	14	16
Research and development expenses	804	478	143	703
	<u>1,739</u>	<u>1,545</u>	<u>684</u>	<u>1,205</u>

8. Financial instruments by category

	As of December 31,		As of
	2012	2013	June 30,
	RMB'000	RMB'000	2014
			RMB'000
Group			
Assets as per balance sheet			
Loans and receivables			
- Trade receivables	11,611	43,779	73,696
- Other receivables (excluding prepayments)	9,337	10,038	17,695
- Short-term bank deposits	6,000	35,198	30,198
- Cash and cash equivalents	<u>47,226</u>	<u>111,777</u>	<u>477,146</u>
	<u>74,174</u>	<u>200,792</u>	<u>598,735</u>
Liabilities as per balance sheet			
Financial liabilities at fair value through profit or loss			
- Convertible preferred shares	<u>288,975</u>	<u>719,831</u>	<u>1,151,072</u>
Financial liabilities at amortized cost			
- Trade and other payables (excluding advance, salary and staff welfare payables and other taxes payable)	<u>33,753</u>	<u>37,119</u>	<u>75,920</u>
	<u>322,728</u>	<u>756,950</u>	<u>1,226,992</u>

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
			<u>RMB'000</u>
Company			
Assets as per balance sheet			
Loans and receivables			
- Other receivables (excluding prepayments)	18	18	-
- Cash and cash equivalents	1,591	1,523	300,947
	<u>1,609</u>	<u>1,541</u>	<u>300,947</u>
Liabilities as per balance sheet			
Financial liabilities at fair value through profit or loss			
- Convertible preferred shares	288,975	719,831	1,151,072
Financial liabilities at amortized cost			
- Other payables	22	108	4,423
	<u>288,997</u>	<u>719,939</u>	<u>1,155,495</u>

9. Investments in subsidiaries — Company

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
			<u>RMB'000</u>
Investments in subsidiaries:			
- Investments in subsidiaries (Note(i))	106,036	102,855	103,798
- Deemed investments arising from share-based compensation (Note (ii))	16,721	52,913	96,952
- Amount due from a subsidiary (Note (iii))	5,191	5,034	10,046
	<u>127,948</u>	<u>160,802</u>	<u>210,796</u>

Details of subsidiaries of the Group are set out in Note 1.2 of Section II.

Note:

- (i) The Company's investment cost in subsidiaries is USD16,870,001.
- (ii) The amount represents share-based compensation expenses arising from the grant of shares and RSUs of the Company to employees of the subsidiaries (Note 18) in exchange for their services provided to certain subsidiaries of the Group, which were deemed to be investment made by the Company to these subsidiaries.
- (iii) The balance is unsecured, interest-free and its repayment is neither planned nor likely to occur in the foreseeable future.

10. Investments in joint ventures

	Year ended December 31,		Six months ended, June 30,
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
At beginning of the year/period	2,081	-	-
Share of profit	73	-	-
Provision of impairment	(2,154)	-	-
At end of the year/period	-	-	-

Name	Principal activities/ country of incorporation	% Interest held as of December 31,		% Interest held as of June 30,	Nature of the relationship	Measurement method
		2012	2013	2014		
Chengdu Juli Network Technology Co. Ltd. ("Chengdu Juli")	Game development and operation/ PRC	20%	20%	-	Note(i)	Equity
Linekong Sibite (Beijing) Technology Co., Ltd. ("Linekong Sibite")	Development and provision of technology services/ PRC	30%	30%	30%	Note(ii)	Equity

Note:

- (i) On September 30, 2010, Linekong Entertainment invested RMB2,000,000 to obtain 20% equity interest in Chengdu Juli, which provided game development services to Linekong Entertainment. Linekong Entertainment and other shareholders of Chengdu Juli entered into an arrangement, whereby decisions on significant activities of the operation of Chengdu Juli requires unanimous consent between Linekong Entertainment and another joint venturer which holds 65% equity interest in Chengdu Juli. The directors of the Company consider that the Group has joint control of Chengdu Juli and its investment in Chengdu Juli is accounted for as a joint venture of the Group accordingly.

Chengdu Juli is a private company and there is no quoted market price available for its shares.

In 2012, the business of Chengdu Juli continued declining, the directors of the Company considered impairment indicators existed for the investment. Based on the Group's assessment on the recoverable amounts of the investment, an impairment provision of RMB2,154,000 was fully provided for the carrying amount of the Group's investment in Chengdu Juli as of December 31, 2012.

On April 24, 2014, Linekong Entertainment disposed 20% equity interest in Chengdu Juli to another joint venturer at nil consideration.

- (ii) Linekong Sibite was a subsidiary of the Group and provided game development service to Linekong Entertainment. On November 8, 2012, Linekong Entertainment disposed 48% equity interest in Linekong Sibite to individual investors which resulted in a gain of approximately RMB5,645,000 (Note 24). As a result, the Group's equity interest in Linekong Sibite was reduced to 30%. In addition, the Group entered into an arrangement, whereby decisions on significant activities of the operation of Linekong Sibite requires unanimous consent of all shareholders. The directors of the Company consider that the Group has joint control of Linekong Sibite, and its investment in Linekong Sibite is accounted for as a joint venture of the Group accordingly.

Linekong Sibite is a private company and there is no quoted market price available for its shares.

As of December 31, 2012 and 2013 and June 30, 2014, the carrying amount of the investment in Linekong Sibite was nil, and no further loss was recognized for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014.

On November 15, 2014, Linekong Sibite was dissolved.

11. Deferred income tax

The analysis of deferred income tax assets and liabilities is as follows:

	As of December 31,		As of June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Deferred income tax assets:				
- To be recovered within 12 months	10,161	908	7,672	131
- To be recovered after 12 months	2,719	2,749	185	2,108
	<u>12,880</u>	<u>3,657</u>	<u>7,857</u>	<u>2,239</u>
Deferred income tax liabilities:				
- To be settled within 12 months	(1,503)	(214)	(330)	(131)
- To be settled after 12 months	(30)	-	-	-
	<u>(1,533)</u>	<u>(214)</u>	<u>(330)</u>	<u>(131)</u>
	<u>11,347</u>	<u>3,443</u>	<u>7,527</u>	<u>2,108</u>

The net movement of the Group's deferred income tax account is as follows:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
			(Unaudited)	
Beginning of the year/period	10,241	11,347	11,347	3,443
Recognized in profit or loss	1,106	(7,904)	(3,820)	(1,335)
End of the year/period	<u>11,347</u>	<u>3,443</u>	<u>7,527</u>	<u>2,108</u>

Movement in deferred income tax assets and liabilities without taking into consideration of the offsetting of balances within the same tax jurisdiction is as follows:

Deferred income tax assets:

	<u>Deferred revenue</u>	<u>Accrued employee benefit expenses</u>	<u>Provision for impairment of other receivables and intangible assets</u>	<u>Others</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At December 31, 2012					
At beginning of the year	6,174	1,469	13	2,585	10,241
Credited to profit or loss	264	987	257	1,131	2,639
At end of the year	<u>6,438</u>	<u>2,456</u>	<u>270</u>	<u>3,716</u>	<u>12,880</u>
At December 31, 2013					
At beginning of the year	6,438	2,456	270	3,716	12,880
Charged to profit or loss	(4,118)	(2,297)	(257)	(2,551)	(9,223)
At end of the year	<u>2,320</u>	<u>159</u>	<u>13</u>	<u>1,165</u>	<u>3,657</u>
At June 30, 2013					
(Unaudited)					
At beginning of the period	6,438	2,456	270	3,716	12,880
Charged to profit or loss	(1,323)	(2,315)	(270)	(1,115)	(5,023)
At end of the period	<u>5,115</u>	<u>141</u>	<u>-</u>	<u>2,601</u>	<u>7,857</u>
At June 30, 2014					
At beginning of the period	2,320	159	13	1,165	3,657
Charged to profit or loss	(212)	(159)	(13)	(1,034)	(1,418)
At end of the period	<u>2,108</u>	<u>-</u>	<u>-</u>	<u>131</u>	<u>2,239</u>

Deferred tax assets are recognized for tax losses carried forward to the extent that realization of related tax benefits through future taxable profits is probable. The Group did not recognize deferred income tax assets for accumulated tax losses of certain subsidiaries carried forward with the amount of RMB19,034,000 and RMB14,604,000 and RMB56,876,000 as at December 31, 2012 and 2013 and June 30, 2014 as insufficient future taxable profit being available at each of these subsidiaries. These tax losses will expire from 2013 to 2019.

Deferred income tax liabilities:

	Trademarks and licenses
	RMB'000
At December 31, 2012	
At beginning of the year	-
Charged to profit or loss	(1,533)
At end of the year	<u>(1,533)</u>
At December 31, 2013	
At beginning of the year	(1,533)
Credited to profit or loss	1,319
At end of the year	<u>(214)</u>
At June 30, 2013 (Unaudited)	
At beginning of the period	(1,533)
Credited to profit or loss	1,203
At end of the period	<u>(330)</u>
At June 30, 2014	
At beginning of the period	(214)
Credited to profit or loss	83
At end of the period	<u>(131)</u>

12. Trade receivables

	As of December 31,		As of June 30,
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
Trade receivables	11,611	44,882	74,617
Less: impairment provision	-	(1,103)	(921)
	<u>11,611</u>	<u>43,779</u>	<u>73,696</u>

- (a) The revenue of the Group from the Game Distribution Channels, third-party payment vendors and international game publishers are mainly made on credit term determined on individual basis with normal period up to 60 days. Aging analysis based on recognition date of the gross trade receivables at the respective balance sheet dates is as follows:

	As of December 31,		As of June 30,
	2012	2013	2014
	RMB'000	RMB'000	RMB'000
0 - 60 days	9,950	40,322	57,600
61 - 90 days	1,078	2,360	6,448
91 - 180 days	192	1,285	5,408
181 days - 365 days	-	174	4,286
over 1 year	391	741	875
	<u>11,611</u>	<u>44,882</u>	<u>74,617</u>

- (b) As at December 31, 2012 and 2013 and June 30, 2014, trade receivables of past due but not impaired were approximately RMB4,286,000, RMB8,903,000 and RMB32,327,000, respectively. These related to a number of third-party Game Distribution Channels, third-party payment vendors and international game publishers which the Group has not encountered any credit defaults in the past and they are assessed to be financially trustworthy. As a result, the directors of the Company consider that these overdue amounts can be recovered. The ageing analysis of these trade receivables is as follows:

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
			<u>RMB'000</u>
Outstanding after due dates:			
0 - 60 days	3,175	5,285	16,231
61 - 90 days	528	2,249	6,446
91 - 180 days	192	1,226	5,408
181 days - 365 days	-	139	4,167
over 1 year	391	4	75
	<u>4,286</u>	<u>8,903</u>	<u>32,327</u>

- (c) The carrying amount of the Group's trade receivables are denominated in the following currencies:

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
			<u>RMB'000</u>
RMB	6,838	18,177	39,960
USD	4,771	26,705	30,721
Others	2	-	3,936
	<u>11,611</u>	<u>44,882</u>	<u>74,617</u>

15. Cash and cash equivalents

	As of December 31,		As of
	2012	2013	June 30,
	RMB'000	RMB'000	2014
Group			RMB'000
Cash at bank and in hand	<u>47,226</u>	<u>111,777</u>	<u>477,146</u>
Company			
Cash at bank and in hand	<u>1,591</u>	<u>1,523</u>	<u>300,947</u>

Cash and cash equivalents are denominated in the following currencies:

	As of December 31,		As of
	2012	2013	June 30,
	RMB'000	RMB'000	2014
Group			RMB'000
RMB	45,013	109,416	173,122
USD	2,213	2,361	302,432
Others	-	-	1,592
	<u>47,226</u>	<u>111,777</u>	<u>477,146</u>
Company			
USD	<u>1,591</u>	<u>1,523</u>	<u>300,947</u>

16. Share capital

	Note	Number of	Nominal	Number of	Nominal
		ordinary	value of	preferred	value of
		shares	ordinary	shares	preferred
		('000)	shares	('000)	shares
			USD'000		USD'000
Authorized:					
Ordinary shares upon incorporation	(a)	50,000	50	-	-
Reclassification and re-designation on issuance of Series A Preferred Shares	(b)	(1,778)	(2)	1,778	2
Reclassification and re-designation on issuance of Series B Preferred Shares	(c)	<u>(1,061)</u>	<u>(1)</u>	<u>1,061</u>	<u>1</u>
As of December 31, 2012 and 2013		47,161	47	2,839	3
Reclassification and re-designation on issuance of Series C Preferred Shares	(d)	(623)	(1)	623	1
Share split	(e)	1,814,991	-	135,009	-
Reclassification and re-designation on issuance of Series D Preferred Shares	(f)	<u>(14,794)</u>	-	<u>14,794</u>	-
As of June 30, 2014		<u>1,846,735</u>	<u>46</u>	<u>153,265</u>	<u>4</u>

	Note	Number of ordinary shares ('000)	Nominal value of ordinary shares USD'000	Equivalent nominal value of share RMB'000	Shares hold for RSU Scheme RMB'000
Issued:					
Issuance of ordinary shares	(a)	2,511	3	18	-
As of December 31, 2012 and 2013		2,511	3	18	-
Share split	(e)	97,933	-	-	-
Issuance of shares held for RSU Scheme	18(d)	42,162	1	6	-
Shares transferred to RSU Scheme	18(d)	-	-	-	(6)
As of June 30, 2014		<u>142,606</u>	<u>4</u>	<u>24</u>	<u>(6)</u>

- (a) The Company was incorporated on May 24, 2007 with an authorized share capital of USD50,000 divided into 50,000,000 ordinary shares with a par value of USD0.001 each. On March 10, 2008, 2,444,444 ordinary shares were issued at par value to the Original Founders. On March 18, 2008, 22,222 ordinary shares were issued at par value to an employee, and 44,444 ordinary shares were issued at par value as reserved shares which were subsequently awarded to another employee as share-based award in 2009.
- (b) On April 23, 2008, IDG-Accel China Growth Fund L.P., IDG-Accel China Growth Fund-A L.P. and IDG-Accel China Investors L.P. (collectively as “the Series A Investors”) and the Company entered into a share purchase agreement under which the Company issued 1,777,778 Series A Preferred Shares (Note 21) at a price of USD1.125 per share (71,111,120 shares at a price of USD0.0281 adjusted as a result of the share split described in Note16(e)) with a total consideration of USD2,000,000 (equivalent to approximately RMB14,274,174) to the Series A Investors on April 25, 2008.

As a closing condition set out in the share purchase agreement of Series A, the Original Founders together with the employee shareholder, the Series A Investors and the Company, entered into a share restriction agreement (“Share Restriction Agreement”) on April 23, 2008. Pursuant to the Share Restriction Agreement, 2,466,666 (98,666,640 shares adjusted as a result of the share split described in Note16(e) below) ordinary shares (“Restricted Shares”) of the Company held by the Original Founders and the employee shareholder shall be subject to vesting schedule and repurchase right of the Company until the Restricted Shares become vested. The Restricted Shares shall automatically vest equally over 4 years on annual basis starting from the later of (i) the date of the Share Restriction Agreement if the relevant holders of the Restricted Shares were employed by the Group as of the date of the agreement or, (ii) the date of the commencement of the holders of employment with the Group.

The restrictions and vesting of these Restricted Shares do not give rise to any additional value and benefits to the Original Founders and the employee shareholder and therefore the arrangement has not been accounted for as share-based payments in accordance with IFRS 2. All restricted shares have been fully vested as of December 31, 2012.

- (c) On May 7, 2008, Northern Light Venture Capital II, Ltd., New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership (collectively as “the Series B Investors”) and the Company, entered into a share purchase agreement, under which the Company issued 1,061,360 Series B Preferred Shares (Note 21) at a price of USD15.0750 per

share (42,454,400 shares at a price of USD0.3769 adjusted as a result of the share split described in Note16(e) below) with a total consideration of USD16,000,000 (equivalent to approximately RMB112,025,600) to the Series B Investors on May 7, 2008.

- (d) On January 15, 2014, the Company entered into a share purchase agreement with Starwish Global Limited, Profitable Century International Limited, Orchid Asia V, L.P., Orchid Asia V Co-Investment, Limited, SAIF IV Hong Kong (China Investments) Limited, Famous Sino Ltd and Eager Info Investments Limited (collectively as the “Series C Investors”) and pursuant to which, the Company issued 622,637 shares of convertible Series C Preferred Shares (“Series C Preferred Shares”) to the Series C Investors at a price of USD48.1822 per share (24,905,480 shares at a price of USD1.2046 adjusted as a result of the share split described in Note16(e) below) with total amount of USD30,000,000 (equivalent to approximately RMB183,786,000). Concurrent with the issuance of Series C Preferred Shares and pursuant to the share purchase agreement of Series C Preferred Shares, Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu sold 113,086 ordinary shares, 84,814 ordinary shares and 84,814 ordinary shares, respectively, to the Series C Investors at a price of approximately USD34.0110 per ordinary share and the Series A Investors and the Series B Investors sold an aggregate of 848,142 Series A Preferred Shares and 339,257 Series B Preferred Shares to the Series C Investors at a price of approximately USD34.0110 per share. The above transactions between shareholders were completed on January 27, 2014.
- (e) On January 15, 2014, the Board of Directors of the Company approved a share split of the Company’s share capital at a ratio of 1 to 40 (the “Share Split”). Immediately after such split, the authorized share capital of the company has been re-classified and re-designated into 1,861,529,000 ordinary shares with par value of USD0.000025 each and 138,471,000 Preferred Shares with par value of USD0.000025 each.
- (f) On May 8, 2014, the Company entered into a share purchase agreement with Baidu Holdings Limited (the “Series D Investor”) and pursuant to which, the Company issued 14,793,523 shares of convertible Series D Preferred Shares (“Series D Preferred Shares”) at a price of USD1.3519 per share with total amount of USD20,000,000 (equivalent to approximately RMB123,120,000). The issuance of the Series D Preferred Shares was completed on May 9, 2014.

17. Reserves

Group	Capital	Currency	Statutory	Share-based	Other	Total
	reserve	translation	surplus	compensation	reserves	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Note 30)		(Note(i))	(Note 18)	(Note 18 (d))	
Balance at January 1, 2012	6,324	12,806	990	11,568	-	31,688
Appropriation to statutory reserves	-	-	2,334	-	-	2,334
Increase in ownership interest in subsidiaries without change of control	(17,114)	-	-	-	-	(17,114)
Decrease in ownership interest in subsidiaries without change of control	900	-	-	-	-	900
Shares awarded to employees	-	-	-	10,618	-	10,618
Currency translation differences ...	-	913	-	-	-	913
Balance at December 31, 2012	<u>(9,890)</u>	<u>13,719</u>	<u>3,324</u>	<u>22,186</u>	<u>-</u>	<u>29,339</u>
Appropriation to statutory reserves	-	-	3,296	-	-	3,296
Increase in ownership interest in subsidiaries without change of control	2,059	-	-	-	-	2,059
Shares awarded to employees	-	-	-	36,908	-	36,908
Currency translation differences ...	-	15,307	-	-	-	15,307
Balance at December 31, 2013	<u>(7,831)</u>	<u>29,026</u>	<u>6,620</u>	<u>59,094</u>	<u>-</u>	<u>86,909</u>
(Unaudited)						
Balance at January 1, 2013	<u>(9,890)</u>	<u>13,719</u>	<u>3,324</u>	<u>22,186</u>	<u>-</u>	<u>29,339</u>
Currency translation differences ...	-	6,072	-	-	-	6,072
Balance at June 30, 2013	<u>(9,890)</u>	<u>19,791</u>	<u>3,324</u>	<u>22,186</u>	<u>-</u>	<u>35,411</u>
Balance at January 1, 2014	<u>(7,831)</u>	<u>29,026</u>	<u>6,620</u>	<u>59,094</u>	<u>-</u>	<u>86,909</u>
RSU scheme:						
- Value of employee services	-	-	-	43,554	-	43,554
Deemed contribution from shareholders for the shares issued for RSU Scheme	-	-	-	-	6	6
Currency translation differences ...	-	(6,881)	-	-	-	(6,881)
Balance at June 30, 2014	<u>(7,831)</u>	<u>22,145</u>	<u>6,620</u>	<u>102,648</u>	<u>6</u>	<u>123,588</u>

Company	Currency translation differences RMB'000	Share-based compensation reserve RMB'000	Other Reserves RMB'000 (Note 18(d))	Total RMB'000
Balance at January 1, 2012	1,986	6,389	-	8,375
Shares awarded to employees	-	10,846	-	10,846
Currency translation differences	616	-	-	616
Balance at December 31, 2012	<u>2,602</u>	<u>17,235</u>	<u>-</u>	<u>19,837</u>
Shares awarded to employees	-	36,908	-	36,908
Currency translation differences	11,254	-	-	11,254
Balance at December 31, 2013	<u>13,856</u>	<u>54,143</u>	<u>-</u>	<u>67,999</u>
(Unaudited)				
Balance at January 1, 2013	2,602	17,235	-	19,837
Currency translation differences	3,898	-	-	3,898
Balance at June 30, 2013	<u>6,500</u>	<u>17,235</u>	<u>-</u>	<u>23,735</u>
Balance at January 1, 2014	13,856	54,143	-	67,999
Deemed contribution from shareholders for the shares issued for RSU Scheme	-	-	6	6
RSU Scheme:				
- Value of employee services	-	43,554	-	43,554
Currency translation differences	(5,307)	-	-	(5,307)
Balance at June 30, 2014	<u>8,549</u>	<u>97,697</u>	<u>6</u>	<u>106,252</u>

Note:

- (i) In accordance with the relevant laws and regulations in the PRC and Articles of Association of the companies incorporated in the PRC now comprising the Group, i.e. the PRC Operational Entities, it is required to appropriate 10% of the annual net profits of the PRC Operational Entities, after offsetting any prior years' losses as determined under the PRC accounting standards, to the statutory surplus reserve fund before distributing any net profit. When the balance of the statutory surplus reserve fund reaches 50% of the registered capital of the entity, any further appropriation is at the discretion of the entity's shareholders. The statutory surplus reserve fund can be used to offset prior years' losses, if any, and may be capitalized as capital, provided that the remaining balance of the statutory surplus reserve fund after such usage is no less than 25% of the entity's registered capital.

In addition, in accordance with the Law of the PRC on Enterprises with Foreign Investments and the stipulated provisions in the Articles of Association of Beijing Linekong Online, appropriation from net profits (after offsetting accumulated losses brought forward from prior years) should be made by Beijing Linekong Online to its reserve funds. The percentage of net profit to be appropriated to the reserve fund is not less than 10% of the net profit. When the balance of the reserve fund reaches 50% of the registered capital, such transfer needs not to be made.

18. Share-based payments*(a) Shares awarded to employees*

In 2008 and 2009, the Company respectively granted 22,222 shares and 44,444 shares to Mr. Wu Rui and Mr. Lu Chao, who are employees of the Group, respectively in return for their services to the Group. In addition, during 2007 to 2012, the Group granted equity interests in certain subsidiaries of the Group to employees of the subsidiaries in return for their services to the Group. These shares granted are subject to vesting schedule or service conditions.

Financial impact of the above granted shares awarded is not material to the Financial Information of the Relevant Periods.

(b) Shares awarded to the Founders

In 2009, Mr. Wu Rui agreed to transfer 22,222 shares in the Company to Mr. Wang Feng, at a consideration of USD1, subject to the restriction set forth in the Share Restriction Agreement as described in Note 16 (b).

In 2010, Mr. Wang Wei agreed to transfer 177,778 shares to Mr. Wang Feng, at a consideration of USD1, subject to the restriction set forth in the Share Restriction Agreement as described in Note 16 (b).

In 2012, Mr. Wang Lei agreed to transfer 166,666 shares in the Company to Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu, at an aggregated consideration of USD1.

In 2013, Mr. Wang Lei agreed to transfer 166,667 shares in the Company to Mr. Wang Feng, at a consideration of RMB9,659,000.

In 2013, Mr. Lu Chao agreed to transfer 44,444 shares in the Company to Ms. Liao Mingxiang, at a consideration of RMB2,150,000.

All above shares were transferred to the Founders at the consideration lower than the fair value of the shares of the Company to award the contributions to the business development of the Group by these Founders. For those share awards with no future service conditions or vesting period attached to, the share awards were vested immediately upon transfer. The difference between the identifiable consideration paid by the Founders and the fair value of the shares at the time of the transfer is recognized as employee benefit expenses accordingly. For those share awards which are subject to vesting period, the difference between the identifiable consideration paid by the Founders and the fair value of the shares at the time of the transfer is recognized over the vesting period.

The share-based compensation expenses amounting to RMB10,846,147 and RMB36,908,236 were charged to the profit or loss for the years ended December 31, 2012 and 2013 respectively. The fair values of the awarded shares were calculated based on the fair value of Company's shares at the respective grant dates. The Company adopted discounted cash flow method in determining the Company's share price and the key assumptions adopted in the valuation at the grant date include the discount rate of 24% and 21% and projections of future performances.

(c) RSUs

Pursuant to a resolution passed by the Board of Directors of the Company on March 21, 2014, the Company set up a RSU Scheme with the objective to incentivize Directors, senior management and employees for their contribution to the Group, and to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of the Group by providing them with the opportunity to own equity interests in the Company.

As provided in respective the grant letters, the RSUs are vested in four different ways:

- (i) 4-year vesting: 20% on the date ending one month after the date of listing, 35% on the date ending 12 months from the grant date, 10% each on the date ending 18 and 24 months from the grant date, 7.5% each on the date ending 30 and 36 months from the grant date, 5% each on the date ending 42 and 48 months from the grant date.
- (ii) 4-year vesting: 10% on the date ending one month after the date of listing, 20% on the date ending 12 month from the grant date, 12.5% each on the date ending 18, 24, 30 and 36 months from the grant date, 10% on the date ending 42 and 48 months from the grant date.
- (iii) 4-year vesting: 25% on the date ending 12 months from the grant date, 12.5% on every six month from 12 months from the grant date.
- (iv) 3-year vesting: 33.33% on January 10, 2015, and 8.33% on every three month from the first month after January 10, 2015.

The RSUs are exercisable only if the grantees remained employed by the Group. The RSU Scheme will be valid and effective for a period of ten years commencing from the date of the grant of the RSUs unless it is terminated earlier in accordance with the rules of RSU Scheme.

If the listing does not happen by the first anniversary of the date of grant of the RSUs, the vesting schedule shall be extended so that the first vesting shall take effect on the date of listing and the remaining vestings shall be extended accordingly.

31,371,494 RSUs were granted to employees and directors on March 21, 2014. As of June 30, 2014, no RSUs were exercisable.

Movements in the number of RSUs outstanding:

	Number of RSUs Six months ended June 30,
At January 1, 2014	-
Granted	31,371,494
Lapsed	(62,518)
At June 30, 2014	<u>31,308,976</u>

(d) Shares held for RSU Scheme

Pursuant to a resolution passed by the Board of the Company on March 21, 2014, the Company entered into a trust deed (the "Trust Deed") with The Core Trust Company Limited (the "RSU Trustee") and Premier Selection Limited (the "RSU Nominee") to assist with the administration of the RSU Scheme. On March 21, 2014, the Company issued 42,161,541 ordinary shares to the RSU Nominee at a par value of USD0.000025 each, totalling RMB6,488 funded by the Mr. Wang Feng. Accordingly, 42,161,541 ordinary shares of the Company underlying the RSUs were held by the RSU Nominee for the benefit of eligible participants pursuant to the RSU Scheme and the Trust Deed.

The above shares held for RSU Scheme were regarded as treasury shares and had been deducted from shareholders' equity; the costs of these shares totalling approximately RMB6,488 were credited to "other reserves" as deemed contribution from shareholders.

Note:

- (i) Trade payables were mainly arising from the leasing of Internet Data Center (IDC) and licensing games from game developers. The credit terms of trade payables granted by the vendors are usually up to 30 days. The aging analysis of trade payables based on recognition date is as follows:

	As of December 31,		As of
	2012	2013	June 30,
	RMB'000	RMB'000	2014
0-180 days	5,848	13,830	41,927
181-365 days	656	4,670	7,953
1-2 years	224	458	2,883
2-3 years	126	221	540
over 3 years	41	167	246
	<u>6,895</u>	<u>19,346</u>	<u>53,549</u>

- (ii) The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

20. Deferred revenue

	As of December 31,		As of
	2012	2013	June 30,
	RMB'000	RMB'000	2014
Current			
- License fee and technical support fee	10,070	15,312	13,977
- Sales of in-game virtual items (Note(i))	45,974	62,328	96,179
- Government subsidies	908	424	438
	<u>56,952</u>	<u>78,064</u>	<u>110,594</u>
Non-current:			
- License fee and technical support fee	12,592	15,596	13,270
- Sales of in-game virtual items (Note(i))	5,385	3,818	2,406
- Government subsidies	437	14	181
	<u>18,414</u>	<u>19,428</u>	<u>15,857</u>

Note:

- (i) Deferred revenue from sales of in-game virtual items includes primarily service fees prepaid by the game players for the Group's online games for which the related services had not been rendered as of December 31, 2012 and 2013 and June 30, 2014. In particular, the Group did not possess relevant information and data to differentiate revenue attributable to permanent ownership virtual items from consumable virtual items of certain games. Accordingly, revenue relating to these games was recognized on an aggregate basis by taking reference to the Player Relationship Period of the respective game or other similar types of games, as described in Note 2.21. Including in the deferred revenue balance above, deferred revenue arising from such treatment was approximately RMB24,651,000, RMB10,167,000 and RMB6,774,000 as of December 31, 2012 and 2013 and June 30, 2014, respectively.

21. Convertible preferred shares

On April 23, 2008, the Company entered into a share purchase agreement with the Series A Investors and pursuant to which, the Company issued 1,777,778 shares of Series A Preferred Shares at a price of USD1.125 per share with total consideration of USD2,000,000 (equivalent to approximately RMB14,274,174). The issuance of the Series A Preferred Shares completed on April 25, 2008.

On May 7, 2008, the Company entered into a share purchase agreement with the Series B Investors and pursuant to which, the Company issued 1,061,360 shares of Series B Preferred Shares at a price of USD15.075 per share with total consideration of USD16,000,000 (equivalent to approximately RMB112,025,600). The issuance of the Series B Preferred Shares completed on May 7, 2008.

On January 15, 2014, the Company entered into a share purchase agreement with the Series C Investors and pursuant to which, the Company issued 622,637 shares of Series C Preferred Shares at a price of USD48.1822 per share with total consideration of USD30,000,000 (equivalent to approximately RMB183,786,000). Concurrent with the issuance of Series C Preferred Shares and pursuant to the share purchase agreement, Mr. Wang Feng, Ms. Liao Mingxiang and Mr. Zhang Yuyu sold 113,086 ordinary shares, 84,814 ordinary shares and 84,814 ordinary shares, respectively, to the Series C Investors at a price of USD34.0110 per ordinary share, and the Series A Investors and the Series B Investors sold an aggregate of 848,142 Series A Preferred Shares and 339,257 Series B Preferred Shares to the Series C Investors at a price of approximately USD34.0110 per share. The above transactions were completed on January 27, 2014.

On May 8, 2014, the Company entered into a share purchase agreement with Series D Investor and pursuant to which, the Company issued 14,793,523 shares of Series D Preferred Shares at a price of USD1.3519 per share with total consideration of USD20,000,000 (equivalent to approximately RMB123,120,000). The issuance of the Series D Preferred Shares was completed on May 9, 2014.

The key terms of the Preferred Shares are summarised as follows:

(a) Dividends rights

Each holder of the Preferred Shares shall be entitled to receive noncumulative dividends in preference to any dividend on the ordinary shares at the rate of 6% of the original issue price of the Preferred Shares per annum, when and as declared by the Board of Directors.

Except for exempted distributions (e.g. a dividend payable solely in ordinary shares for which an adjustment to the conversion price is made pursuant to the Articles of Association of the Company, or the repurchase of ordinary shares at cost from terminated employees, officers or consultants pursuant to contractual arrangements with the Company, or any exercise, conversion or exchange of ordinary share equivalents), no dividends or other distributions shall be made or declared, whether in cash, in property, in any other shares of the Company or otherwise, with respect to any other class or series of shares of the Company, unless and until dividends in like amount have been paid in full on the Preferred Shares.

In the event the Company shall declare a distribution other than in cash (except for a distribution described specifically in the Articles of Association), the holders of Preferred Shares shall be entitled to a proportionate share of any such distribution in the manner as above.

(b) Voting rights

Each holder of the Preferred Shares shall have a right to that number of votes equal to the number of ordinary shares issuable as if the Preferred Shares have been converted into ordinary shares.

(c) Conversion feature

Preferred Shares shall automatically be converted into ordinary shares at the then effective conversion price upon closing of a Qualified Public Offering, or approval of at least three of the four following groups: (i) holders of at least 50% of Series A Preferred Shares, (ii) holders of at least 50% of Series B Preferred Shares, (iii) holders of at least 50% of Series C Preferred Shares, and (iv) holders of at least 50% of Series D Preferred Shares, each voting as a separate class.

Qualified Public Offering means an underwritten public offering of the ordinary shares of the Company on the Stock Exchange of Hong Kong Limited, the New York Stock Exchange, the NASDAQ or other reputable exchange with gross proceeds to the Company in excess of USD50,000,000, provided that (i) if the public offering is completed in 2014, the market capitalization of the Company shall be no lower than 115% of RMB1.5 billion (or its foreign currency equivalent), (ii) if the public offering is completed in 2015, the market capitalization of the Company shall be no lower than 118% of RMB1.5 billion, and (iii) if the public offering is completed after 2015, the market capitalization of the Company shall be of such amount as agreed among the Founders and the holders of at least a majority of the Preferred Shares.

(d) Redemption feature

In the event that no Qualified Public Offering shall have occurred on or before the third anniversary of January 28, 2014, the holders of a majority then outstanding Series C Preferred Shares or Series D Preferred Shares, in a separate class respectively, may give a written notice by hand or letter mail or courier service to the Company at its principal executive offices at any time or from time to time requesting redemption of all of the then outstanding Series C Preferred Shares or Series D Preferred Shares. The redemption price is equal to the applicable Series C Preferred Shares or Series D Preferred Shares issue price of plus 9% simple interest per annum (not compounded basis), plus any declared but unpaid dividends thereon, proportionally adjusted for share subdivisions, share dividends, reorganizations, reclassifications, consolidations or mergers.

In circumstances where both the Series C Preferred Shares and Series D Preferred Shares are redeemable, and the Company's legally available funds are inadequate to pay the full redemption price of Series C Preferred Shares and redemption price of Series D Preferred Shares, then all such assets shall be distributed ratably among the holders of Series D Preferred Shares requested to be redeemed in proportion to the redemption amount each such holder is otherwise entitled to receive. After redemption in full of the Series D Preferred Shares requested to be redeemed, if the remaining assets legally available for distribution to the holders of Series C Preferred Shares are inadequate to pay the full redemption price of Series C Preferred Shares, then all such assets shall be distributed ratably among the holders of Series C Preferred Shares requested to be redeemed in proportion to the redemption amount each such holder is otherwise entitled to receive. The Series D Preferred Shares and the Series C Preferred Shares that have not been fully redeemed shall remain outstanding and entitled to all of the rights and preferences provided herein. At any time thereafter, when assets of the Company are legally available for redemption, such assets will be used to redeem the balance of, or such portion thereof for which assets are available, on the basis and in accordance with the sequence set forth above.

Series A and Series B Preferred Shares are not entitled to such redemption right mentioned above.

(e) Liquidation preferences

In the event of any liquidation, dissolution or winding up of the Company, either voluntary or involuntary, distributions shall be made in the following manner (after satisfaction of all creditors' claims and claims that may be preferred by law):

- (i). The holders of Series D Preferred Shares shall be entitled to receive for each Series D Preferred Share, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares, ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equals to 100% of the Series D Preferred Shares issue price (as adjusted for share splits, share dividends, combinations, capital reorganizations and similar events with respect to such shares), plus all declared but unpaid dividends on the Series D Preferred Shares (collectively, the "Series D Preference Amount"). If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of Series D Preferred Shares is insufficient to permit the payment to such holders of the full Series D Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of Series D Preferred Shares in proportion to the Series D Preference Amount each such holder is otherwise entitled to receive.
- (ii). After setting aside or paying in full the Series D Preference Amount due, the holders of Series C Preferred Shares shall be entitled to receive for each Series C Preferred Share, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series A Preferred Shares, Series B Preferred Shares, ordinary shares or any other class or series of shares by reason of their ownership of such shares, the amount equals to 100% of the Series C Preferred Shares issue price (as adjusted for share splits, share dividends, combinations, capital reorganizations and similar events with respect to such shares), plus all declared but unpaid dividends on the Series C Preferred Shares (collectively, the "Series C Preference Amount"). If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of Series C Preferred Shares is insufficient to permit the payment to such holders of the full Series C Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of Series C Preferred Shares in proportion to the Series C Preference Amount each such holder is otherwise entitled to receive.
- (iii). After setting aside or paying in full the Series D Preference Amount and the Series C Preference Amount due, the holders of Series B Preferred Shares shall be entitled to receive for each Series B Preferred Share, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of Series A Preferred Shares and ordinary shares by reason of their ownership of such shares, the amount equals to 100% of the Series B Preferred Shares issue price (as adjusted for share splits, share dividends, combinations, capital reorganizations and similar events with respect to such shares), plus all declared but unpaid dividends on the Series B Preferred Shares (collectively, the "Series B Preference Amount"). If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of Series B Preferred Shares shall be insufficient to permit the payment to such holders of the full Series B Preference Amount, then the entire assets and funds of the Company legally available for distribution

shall be distributed ratably among the holders of Series B Preferred Shares in proportion to the Series B Preference Amount each such holder is otherwise entitled to receive.

- (iv). After setting aside or paying in full the Series D Preference Amount, Series C Preference Amount and the Series B Preference Amount due, the holders of Series A Preferred Shares shall be entitled to receive for each Series A Preferred Share, prior and in preference to any distribution of any of the assets or surplus funds of the Company to the holders of ordinary shares by reason of their ownership of such shares, the amount equals to 100% of the Series A Preferred Shares issue price (as adjusted for share splits, share dividends, combinations, capital reorganizations and similar events with respect to such shares), plus all declared but unpaid dividends on the Series A Preferred Shares (collectively, the "Series A Preference Amount"). If upon the occurrence of a liquidation, dissolution or winding up of the Company the assets and funds thus distributed among the holders of Series A Preferred Shares shall be insufficient to permit the payment to such holders of the full Series A Preference Amount, then the entire assets and funds of the Company legally available for distribution shall be distributed ratably among the holders of Series A Preferred Shares in proportion to the Series A Preference Amount each such holder is otherwise entitled to receive.
- (v). After setting aside or paying in full the Series D Preference Amount, Series C Preference Amount, the Series B Preference Amount and the Series A Preference Amount due, the remaining assets of the Company available for distribution, if any, shall be distributed to the holders of the ordinary shares for such ordinary shares (excluding any Preferred Shares or any ordinary shares converted from Preferred Shares) on a pro rata basis.
- (vi). In the event of (a) a sale, conveyance or disposition of all or substantially all of the assets of the Company and other companies within the Group, taken as a whole, (b) an exclusive licensing of substantially all of the intellectual property of the Company and other companies within the Group to any third party, or (c) a consolidation or merger of the Company or any other company within the Group with or into any other company or companies in which the existing members or shareholders of the Company or any other companies within the Group immediately prior to such consolidation or merger do not retain a majority of the voting power in the surviving company (other than in a restructuring or reorganization transaction approved by (W) holders of at least 50% of Series A Preferred Shares, (X) holders of at least 50% of Series B Preferred Shares, (Y) holders of at least 50% of Series C Preferred Shares and (Z) holders of at least 50% of Series D Preferred Shares, each voting as a separate class, and other than any such merger or consolidation compelled by any PRC governmental or regulatory agency or authority), the Company shall, to the extent legally entitled to do so, pay the amount received on such sale, disposition, license or consolidation in either the same form of consideration received by the Company or in cash, as the Company may determine, whether such payment is in the form of a dividend or other legally permissible form (the "Compulsory Payment"). The Compulsory Payment will be distributed in the same preference and method as described in (i), (ii), (iii), (iv) and (v) above.
- (vii). Notwithstanding the above (i) to (vi), each holder of Preferred Shares may choose not to receive the foregoing applicable preference amount, and, instead, receive distribution of the remaining assets of the Company ratably with holders of ordinary shares on an as-converted basis.

The Group monitors Preferred Shares on a fair value basis which is in accordance with its risk management strategy and does not bifurcate any feature from its respective debt host instruments and

designates the entire hybrid contracts as financial liabilities at fair value through profit or loss with the changes in the fair value recorded in the consolidated statements of comprehensive loss.

The directors have used the discounted cash flow method to determine the underlying share value of the Company and adopted equity allocation method to determine the fair value of the Preferred Shares under liquidation preferences as of the dates of issuance and at the end of each reporting period.

Key valuation assumptions used to determine the fair value of Preferred Shares are as follows:

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
			<u>2014</u>
Discount rate used to determine the underlying share value of the			
Company	24%	21%	19%
Risk-free interest rate	0.24%	0.11%	0.06%
Volatility	52.22%	52.12%	51.55%

Discount rate was estimated by weighted average cost of capital as of each valuation date. The directors estimated the risk-free interest rate based on the yield of US Treasury Notes with a maturity life equal to period from the valuation date to the expected exit date. Volatility was estimated on each valuation date based on average of historical volatilities of the comparable companies in the same industry. Probability weight under each of the redemption feature and liquidation preferences was based on the directors’ best estimates. In addition to the assumptions adopted above, the Company’s projections of future performance were also factored into the determination of the fair value of Preferred Shares on each valuation date.

The movement of the Preferred Shares is set out as below:

	RMB'000
At January 1, 2012	156,505
Changes in fair value	133,388
Currency translation differences	(918)
At December 31, 2012	<u>288,975</u>
Change in fair value of the Preferred Shares for the year included in profit or loss	<u>133,388</u>
At January 1, 2013	288,975
Changes in fair value	446,208
Currency translation differences	(15,352)
At December 31, 2013	<u>719,831</u>
Change in fair value of the Preferred Shares for the year included in profit or loss	<u>446,208</u>
(Unaudited)	
At January 1, 2013	288,975
Changes in fair value	133,468
Currency translation differences	(6,097)
At June 30, 2013	<u>416,346</u>
Change in fair value of the Preferred Shares for the period included in profit or loss	<u>133,468</u>
At January 1, 2014	719,831
Issuance of Series C Preferred Shares and Series D Preferred Shares	306,906
Changes in fair value	116,817
Currency translation differences	7,518
At June 30, 2014	<u>1,151,072</u>
Change in fair value of the Preferred Shares for the period included in profit or loss	<u>116,817</u>

22. Expenses by nature

Expenses included in cost of revenue, selling and marketing expenses, administrative expenses and research and development expenses are analyzed as follows:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Service charges by Game Distribution Channels	84,209	173,015	78,551	124,883
Content fee to game developers	6,476	18,679	11,006	18,947
Bandwidth and server custody fees	9,088	9,232	4,853	4,938
Payment handling costs	2,385	2,332	1,316	969
Employee benefit expenses (excluding share-based compensation expenses) (Note 23)	56,775	93,379	42,000	43,150
Share-based compensation expenses	10,516	36,908	-	43,554
Depreciation of property, plant and equipment (Note 6)	6,793	6,310	3,249	3,614
Amortization and impairment of intangible assets (Note 7)	3,869	1,545	684	1,205
Other receivables write-off	-	1,365	1,365	-
Impairment charges on trade and other receivables . . .	6,861	1,074	71	-
Impairment charges on investment in joint ventures (Note 10)	2,154	-	-	-
Business tax and related surcharges (Note (a))	10,320	21,194	9,500	12,560
Promotion and advertising expenses	45,173	69,934	26,794	41,100
Traveling and entertainment expenses	2,517	4,904	944	3,238
Office rental expenses	6,401	5,966	3,097	4,030
Other professional service fees	670	1,290	703	3,161
Game development outsourcing costs	6,962	3,250	2,123	641
Utilities and office expenses	855	830	366	565
Statutory auditors' remuneration	180	155	78	78
Listing-related expenses	-	637	-	10,893
Others	4,994	5,201	1,599	5,069
Total	267,198	457,200	188,299	322,595

Note:

(a) Business tax, value-added tax and related surcharges that are applicable to the Group are as follows:

Category	Tax rate	Basis of levies
Business tax	5%	Revenue from sales of in-game virtual items, licensing and technical support
Value-added tax ("VAT")	6%	Revenue from sales of in-game virtual items, licensing and technical support generated by Tianjin 8864 is subject to VAT services since June 1, 2014. Such revenue is recognized net of VAT amount.
City construction tax	7%	Actual business tax and VAT payment
Educational surcharges	3%	Actual business tax and VAT payment
Local educational surcharges	2%	Actual business tax and VAT payment

23. Employee benefit expenses, including directors' emoluments

(a) Employee benefit expenses

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	44,180	82,093	35,768	37,698
Pension costs - defined contribution plans	5,928	5,160	2,896	2,791
Other social security costs, housing benefits and other employee benefits	6,667	6,126	3,336	2,661
Share-based compensation expenses	10,516	36,908	-	43,554
	<u>67,291</u>	<u>130,287</u>	<u>42,000</u>	<u>86,704</u>

Employees of the group companies in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal governments. The Group contributes funds which are calculated on fixed percentage of 20% of the employees' salary (subject to a floor and cap) as set by local municipal governments to the scheme locally to fund the retirement benefits of the employees.

(b) Directors' emoluments

The remuneration of each director for the year ended December 31, 2012 is set out as below:

Name of director	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Feng(i)	697	33	41	5,094	5,865
Ms. Liao Mingxiang(ii)	455	33	41	726	1,255
Mr. Zhang Yuyu(iii)	455	33	41	5,026	5,555
	<u>1,607</u>	<u>99</u>	<u>123</u>	<u>10,846</u>	<u>12,675</u>

The remuneration of each director for the year ended December 31, 2013 is set out as below:

Name of director	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Feng	5,192	37	46	28,802	34,077
Ms. Liao Mingxiang	4,080	37	46	8,106	12,269
Mr. Zhang Yuyu	4,029	33	42	-	4,104
	<u>13,301</u>	<u>107</u>	<u>134</u>	<u>36,908</u>	<u>50,450</u>

The remuneration of each director for the six months ended June 30, 2013 is set out as below (unaudited):

Name of director	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Mr. Wang Feng	2,596	18	21	-	2,635
Ms. Liao Mingxiang	2,040	18	21	-	2,079
Mr. Zhang Yuyu	2,032	18	21	-	2,071
	<u>6,668</u>	<u>54</u>	<u>63</u>	<u>-</u>	<u>6,785</u>

The remuneration of each director for the six months ended June 30, 2014 is set out as below:

Name of director	Wages, salaries and bonuses	Pension costs-defined contribution plans	Other social security costs, housing benefits and other employee benefits	Share-based compensation expenses	Total
Mr. Wang Feng	335	19	24	12,422	12,800
Ms. Liao Mingxiang	235	19	24	4,141	4,419
Mr. Mao Zhihai (iv)	633	19	24	1,784	2,460
Mr. Qian Zhonghua (v)	-	-	-	-	-
Mr. Ma Ji (vi)	48	-	-	-	48
Mr. Chen Tong (vi)	48	-	-	-	48
Mr. Zhang Xiangdong (vi) ...	48	-	-	-	48
	<u>1,347</u>	<u>57</u>	<u>72</u>	<u>18,347</u>	<u>19,823</u>

- (i) Mr. Wang Feng was appointed as the Company's director on May 24, 2007, who is also the chief executive officer ("CEO") of the Group.
- (ii) Ms. Liao Mingxiang was appointed as the Company's director on May 24, 2007.
- (iii) Mr. Zhang Yuyu was appointed as the Company's director on May 7, 2008, and resigned from the Company on November 26, 2013.
- (iv) Mr. Mao Zhihai was appointed as the Company's director on January 27, 2014.
- (v) Mr. Qian Zhonghua was appointed on January 27, 2014 as the non-executive director of the Company.
- (vi) Mr. Ma Ji, Mr. Chen Tong and Mr. Zhang Xiangdong were appointed on April 24, 2014, as the independent non-executive directors of the Company.

(c) Five highest paid individuals

The 5 individuals whose emoluments were the highest in the Group for each of the years ended December 31, 2012 and 2013 and each of the six months ended June 30, 2013 and 2014 include 3, 3, 3 and 2 directors whose emoluments are reflected in the analysis presented above, respectively. The aggregate amounts of emoluments for the remaining 2, 2, 2 and 3 individuals for each of the years ended December 31, 2012 and 2013 and each of the six months ended June 30, 2013 and 2014 are set out below:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Wages, salaries and bonuses	1,437	13,018	6,502	4,349
Pension costs - defined contribution plans	61	73	42	56
Other social security costs, housing benefits and other employee benefits	76	92	43	72
Share-based compensation expenses	-	-	-	12,291
	<u>1,574</u>	<u>13,183</u>	<u>6,587</u>	<u>16,768</u>

The emoluments payable to these individuals for the years ended December 31, 2012 and 2013 and the each of six months ended June 30, 2013 and 2014 fell within the following bands:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
			(Unaudited)	
Emoluments band				
Nil to HKD1,000,000	2	-	-	-
HKD3,000,001 to HKD3,500,000	-	-	1	-
HKD3,500,001 to HKD4,000,000	-	-	-	1
HKD4,500,001 to HKD5,000,000	-	-	1	-
HKD6,500,001 to HKD7,000,000	-	1	-	-
HKD7,500,001 to HKD8,000,000	-	-	-	1
HKD9,500,001 to HKD10,000,000	-	1	-	1
	<u>2</u>	<u>2</u>	<u>2</u>	<u>3</u>

During the Relevant Periods, neither directors nor the five highest paid individuals received any emolument from the Group as an inducement to join or upon joining the Group or as compensation for loss of office.

24. Other gains — net

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
			(Unaudited)	
	RMB'000	RMB'000	RMB'000	RMB'000
Government subsidies (Note (a))	6,590	4,253	2,108	269
Gain arising from disposal of subsidiaries	5,645	-	-	6
Gain arising from liquidation of subsidiaries	-	1,458	1,458	-
Foreign exchange (losses)/gains, net	(458)	(1,230)	183	808
(Loss)/gain on disposal of property, plant and equipment	(45)	28	-	-
Others	73	832	263	131
	<u>11,805</u>	<u>5,341</u>	<u>4,012</u>	<u>1,214</u>

Note:

- (a) Government subsidies primarily represented various industry-specific subsidies granted by the government authorities to subsidize the game development costs and capital expenditures incurred by the Group during the course of its business.

25. Finance income - net

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Finance income				
Interest income	863	1,164	291	1,676
Finance costs				
Issuance costs of Preferred Shares	-	-	-	(300)
Foreign exchange (losses)/gains, net	(1)	(23)	(11)	8
Finance income - net	<u>862</u>	<u>1,141</u>	<u>280</u>	<u>1,384</u>

26. Income tax expense

The income tax expense of the Group for each of the years ended December 31, 2012 and 2013 and each of the six months ended June 30, 2013 and 2014 is analyzed as follows:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Current income tax	1,917	9,587	8,315	3,548
Deferred income tax	(1,106)	7,904	3,820	1,335
Income tax expense	<u>811</u>	<u>17,491</u>	<u>12,135</u>	<u>4,883</u>

(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 Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profits tax

The Group is not subject to Hong Kong profits tax on foreign-sourced income, dividends and capital gains. As an entity incorporated in Hong Kong, Linekong Interactive Entertainment (Hong Kong) Co., Limited was subject to 16.5% income tax for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014 on its taxable profits generated from operations in Hong Kong. Payment of dividends is not subject to withholding tax in Hong Kong.

(c) PRC Enterprise Income Tax ("EIT")

The income tax provision of the Group in respect of operations in the PRC has been calculated at the tax rate of 25% on the estimated assessable profits for each of the Relevant Periods, based on the existing legislation, interpretations and practices in respect thereof. Beijing Linekong Online, Linekong Entertainment, Shouyoutong and Tianjin 8864 obtained the Software Enterprise Certificates and were accredited as software enterprises under the relevant PRC laws, regulations and rules. Accordingly,

Beijing Linekong Online, Linekong Entertainment, Shouyoutong and Tianjin 8864 are exempt from EIT for two years, followed by a 50% reduction in the statutory income tax rate of 25% for the next three years, commencing from the first year of profitable operation and before 2017, provided that it continues to be qualified as software enterprise during such period. Beijing Linekong Online obtained the Software Enterprise Certificate in May 2014, and the specific periods when the tax exemption and reduction are applicable are yet to commence. The applicable schedules of preferential income tax rate for Linekong Entertainment, Shouyoutong and Tianjin 8864 are as follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Linekong Entertainment	50% reduction	50% reduction	50% reduction
Shouyoutong	EIT exemption	50% reduction	50% reduction
Tianjin 8864	-	EIT exemption	EIT exemption

According to a policy promulgated by the State Tax Bureau of the PRC and effective from 2008 onwards, enterprises engage in research and development activities are entitled to claim 150% of the research and development expenses incurred in a year as tax deductible expenses in determining its tax assessable profits for that year ("Super Deduction"). Linekong Entertainment and Shouyoutong have claimed such Super Deduction in ascertaining its tax assessable profits for each of the years ended December 31, 2012 and 2013.

(d) PRC withholding Tax ("WHT")

According to the applicable PRC tax regulations, dividends distributed by a company established in the PRC to a foreign investor with respect to profits derived after January 1, 2008 are generally subject to a 10% WHT. 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%.

During the Relevant Periods, no retained earnings of subsidiaries within the Group were remitted to the Company. The Group does not have any plan to conduct this remittance in the foreseeable future. Accordingly, no deferred income tax liability on WHT was accrued as of the end of each reporting period. As of December 31, 2012, 2013 and June 30, 2014, the PRC Operational Entities did not have available undistributed profit to be remitted to the Company.

The tax on the Group's loss before tax differs from the theoretical amount that would arise using the statutory tax rate applicable to loss before income tax of consolidated entities in the respective jurisdictions as follows:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Loss before income tax	(122,213)	(381,929)	(80,675)	(73,996)
Tax calculated at statutory income tax rates applicable to loss before income tax of the consolidated entities in their respective jurisdictions (Note (i))	2,799	16,098	13,211	12,040
Tax effects of:				
Preferential income tax rates applicable to subsidiaries	(6,263)	(24,738)	(12,230)	(29,989)
Super Deduction for research and development expenses	(2,603)	(3,774)	(2,287)	-
Expenses not deductible for tax purposes:				
- Share-based compensation	2,629	9,227	-	10,889
- Others	4,614	5,035	2,026	2,611
Different applicable tax rate between current period and the period when the deferred tax assets are realized	(1,453)	(1,030)	-	-
Unrecognized temporary difference (Note (ii))	1,034	12,481	11,983	4,993
Income tax paid outside the territory which is not deducted from resident enterprise income tax payable	1,883	2,808	-	3,673
Adjustments to deferred income tax arising in prior periods	(1,829)	1,384	(568)	666
Income tax expense	<u>811</u>	<u>17,491</u>	<u>12,135</u>	<u>4,883</u>

Note:

- (i) The Company is exempt from Cayman Islands income tax. As such, the operating results reported by the Company on a standalone basis, including the fair value change of Preferred Shares, are not subject to any income tax.
- (ii) The Group has assessed the realization of deductible temporary differences and unused tax losses for each entity as of December 31, 2012 and 2013 and June 30, 2014. The temporary differences including tax losses of several subsidiaries were not recognized due to insufficient future taxable profit being available at each of these entities.

27. Loss per share

The Company's ordinary shareholders had not paid the par value of the ordinary shares until June 2014, therefore were not entitled to dividends for the years ended December 31, 2012 and 2013. The calculation of loss per share for these periods is not applicable accordingly.

For the purpose of computing basic and diluted loss per share, the number of ordinary shares outstanding during each period of the Relevant Periods have been adjusted retroactively in the computation of both basic and diluted loss per share for the Relevant Periods to reflect the proportional changes in the number of ordinary shares outstanding as a result of the share split described in Note 16(e).

(a) Basic

Basic loss per share for the six months ended June 30, 2014 is calculated by dividing the loss of the Group attributable to the equity holders of the Company of the period by the weighted average number of ordinary shares in issue during the period.

	Six months ended June 30,
	2014
	RMB'000
Loss attributable to equity holders of the Company	(78,879)
Weighted average number of ordinary shares in issue (thousand shares) (Note (i))	17,383
Basic loss per share (expressed in RMB per share)	<u>(4.54)</u>

- (i) Had all ordinary shares fully paid upon insurance, the weighted average number of ordinary shares in issue for each period of the Relevant Periods for purpose of computing the basic loss per share would be 92,222 for the year ended December 31, 2012 and 100,444,400 for the year ended December 31, 2013 and each of the six months ended June 30, 2013 and 2014, and the basic loss per share would be RMB(1.40), RMB(3.99), RMB(0.88) and RMB(0.79), respectively for each period of the Relevant Periods.

As described in Note 16, in connection with the issuance of Series A Preferred Shares on April 23, 2008, the Founder's ordinary shares were put on escrow with the Company as Restricted Shares (as defined in Note 16). As these Restricted Shares are contingently returnable, they are not treated as outstanding and are excluded from the calculation of basic loss per share for the year ended December 31, 2012 until the date the shares are no longer subject to recall. Had these shares not been put on escrow with the Company as Restricted Shares and fully paid upon issuance, the weighted average number of ordinary shares in issue for the year ended December 31, 2012 for purpose of computing the basic loss per share would be 100,444,400 and the basic loss per share would be RMB(1.29) for the year ended December 31, 2012.

(b) Diluted

Diluted loss per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

For the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013, the Company had three categories of potential ordinary shares, the unvested Restricted Shares, Preferred Shares and the shares awarded to the employees that were subject to vesting period (Note 18 (a) and (b)). For the six months ended June 30, 2014, the Company had two categories of potential ordinary shares, the Preferred Shares and RSUs. As the Group incurred loss for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014, the potential ordinary shares were not included in the calculation of dilutive loss per share where their inclusion would be anti-dilutive. Accordingly, dilutive losses per share for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014 are the same as basic loss per share of respective years/period.

28 Dividends

No dividends have been paid or declared by the Company during each of the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014.

29 Cash generated/(used in) from operations

	Note	Year ended December 31,		Six months ended June 30,	
		2012	2013	2013	2014
		RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Loss before income tax		(122,213)	(381,929)	(80,675)	(73,996)
Adjustments for:					
- Other receivables write-off	22	-	1,365	1,365	-
- Impairment charges on trade and other receivables	22	6,861	1,074	71	-
- Impairment charges on investment in joint ventures	10	2,154	-	-	-
- Depreciation of property, plant and equipment ..	6	6,793	6,310	3,249	3,614
- Amortization and impairment of intangible assets	7	3,869	1,545	684	1,205
- Loss/(gain) on disposals of property, plant and equipment	24	45	(28)	-	-
- Share-based payments	23	10,516	36,908	-	43,554
- Share of profit of joint ventures	10	(73)	-	-	-
- Gain on disposal of subsidiaries	10(ii)	(5,645)	-	-	(6)
- Gain on liquidation of subsidiaries	24	-	(1,458)	(1,458)	-
- Fair value change of Preferred Shares	21	133,388	446,208	133,468	116,817
- Issuance costs of Series C Preferred Shares	25	-	-	-	300
- Unrealized foreign exchange losses/(gains), net	25	1	23	11	(8)
		<u>35,696</u>	<u>110,018</u>	<u>56,715</u>	<u>91,480</u>
Changes in working capital:					
- Trade receivables		(4,647)	(33,271)	(31,098)	(29,917)
- Prepayments and other receivables		(10,257)	(8,446)	(16,120)	(34,737)
- Trade and other payables		20,051	20,270	4,574	16,703
- Deferred revenue		(11,856)	22,126	16,713	28,959
Cash generated from operations		<u>28,987</u>	<u>110,697</u>	<u>30,784</u>	<u>72,488</u>

There were no material non-cash investing and financing transaction for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2013 and 2014.

30. Transactions with non-controlling interests

The effect of change in the ownership interest of the Company's subsidiaries on the equity attributable to owners of the Company during the Relevant Periods is summarized as follows:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Carrying amount of non-controlling interest acquired	(15,114)	2,059	-	-
Less: consideration payable to non-controlling shareholders	(2,000)	-	-	-
Excess of consideration paid recognized within equity (Note (i))	(17,114)	2,059	-	-
Others (Note (ii))	900	-	-	-
	<u>(16,214)</u>	<u>2,059</u>	<u>-</u>	<u>-</u>

Note:

- (i) Beijing Sanqiren provides game developing services and continuing technical support to Linekong Entertainment. In 2012, the non-controlling shareholders left Beijing Sanqiren to pursue other business, Linekong Entertainment determined to acquire the 51% equity interests of Beijing Sanqiren from these non-controlling shareholders. The carrying amount of the non-controlling interest in Beijing Sanqiren on the date of equity transaction was a deficit of RMB15,114,030 mainly due to the research and development expenditure incurred in prior years. On June 12, 2012, Linekong Entertainment entered into an agreement with the non-controlling shareholders of Beijing Sanqiren to purchase the equity interest hold by them with consideration of RMB2,000,000, and consequently, Beijing Sanqiren became a wholly-owned subsidiary of the Group. In 2013, Linekong Entertainment acquired additional 20% equity interests of Shouyoutong from non-controlling shareholders at nil consideration.
- (ii) The item represents the vesting of equity interests of certain subsidiaries of the Company granted to employees (Note 18(a)).

31. Significant related party transactions

Save as disclosed in other notes, the following significant transactions were carried out between the Group and its related parties during the Relevant Periods. In the opinion of the directors of the Company, the related party transactions were carried out in the normal course of business and at terms negotiated between the Group and the respective related parties.

(a) Related party transactions

(i) Content fee paid to game developers which are joint ventures

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000	RMB'000
Linekong Sibite	418	1,121	1,121	-
Chengdu Juli	1,875	378	291	58
	<u>2,293</u>	<u>1,499</u>	<u>1,412</u>	<u>58</u>

*(b) Balances with related parties***(i) Amount due from related parties**

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
			<u>RMB'000</u>
Chengdu Juli	94	-	-
Linekong Sibite	9,912	9,462	9,462
	10,006	9,462	9,462
Less: provision for impairment of other receivables	(6,932)	(6,932)	(6,932)
	<u>3,074</u>	<u>2,530</u>	<u>2,530</u>

(ii) Amount due from the Founders

The amount due from the Founders as of December 31, 2012 and 2013 and June 30, 2014 was unsecured and interest-free.

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
			<u>RMB'000</u>
Wang Feng	2,511	2,663	760
Liao Mingxiang	3	3	251
	<u>2,514</u>	<u>2,666</u>	<u>1,011</u>

(iii) Amount due to joint ventures

	<u>As of December 31,</u>		<u>As of</u>
	<u>2012</u>	<u>2013</u>	<u>June 30,</u>
	<u>RMB'000</u>	<u>RMB'000</u>	<u>2014</u>
			<u>RMB'000</u>
Chengdu Juli	-	113	171
Linekong Sibite	2,657	2,030	2,030
	<u>2,657</u>	<u>2,143</u>	<u>2,201</u>

(c) Key management personnel compensations

The compensations paid or payable to key management personnel (including directors, CEO and other senior executives) for employee services are shown below:

	Year ended December 31,		Six months ended June 30,	
	2012	2013	2013	2014
	RMB'000	RMB'000	RMB'000 (Unaudited)	RMB'000
Wages, salaries and bonuses	3,504	34,099	14,164	6,725
Pension costs - defined contribution plan	294	326	176	169
Other social security costs, housing benefits and other employee benefits	370	460	193	215
Share-based compensation expenses	10,846	36,908	-	35,486
	<u>15,014</u>	<u>71,793</u>	<u>14,533</u>	<u>42,595</u>

32. Commitments

The Group leases office premises under non-cancellable operating lease agreements. The lease terms are between 1 year to 3 years, and majority of lease agreements are renewable at the end of the lease at market rate.

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	As of December 31,		As of
	2012	2013	June 30,
	RMB'000	RMB'000	2014
Not later than 1 year	4,540	3,272	3,831
Later than 1 year and not later than 3 years	2,751	-	3,956
	<u>7,291</u>	<u>3,272</u>	<u>7,787</u>

33. Event after the balance sheet date

(a) On July 8, 2014, Linekong Entertainment, a subsidiary of the Company, transferred 100% equity interests in Linekong Interactive Entertainment (Hong Kong) Co., Limited to Linekong Holdings Limited with the consideration of HKD 1. The equity interest change has been reflected in Note 1.2 of Section II headed "History and reorganization of the Group".

(b) On July 25, 2014, Beijing Quweizhijian Network Technology Co., Ltd. was established by Linekong Entertainment. Details are set out in Note 1.2 of Section II headed "History and reorganization of the Group".

(c) Pursuant to a resolution ("Resolution") passed by the shareholders of the Company on November 20, 2014, a share option scheme (the "Share Option Scheme") was approved, which is conditional upon completion of the listing. The purpose of the Share Option Scheme is to incentivize and reward the eligible persons (the directors, senior management, consultants, advisors and employees of the Group) for their contribution to the Group and to attract and retain suitable personnel to enhance the

development of the Group. According to the Resolution, the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company must not in aggregate exceed 10% of the total number of shares in issue as at the listing date.

III SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2014 and up to the date of this report. No dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to June 30, 2014.

Yours faithfully,

PricewaterhouseCoopers
Certified Public Accountants
Hong Kong

The information set forth in this appendix does not form part of the Accountant's Report received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, as set forth in Appendix I to this prospectus, and is included herein for illustrative purpose only.

The unaudited pro forma financial information should be read in conjunction with the section headed "Financial Information" in this prospectus and the Accountant's Report set forth in Appendix I to this prospectus.

A. UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative statement of the unaudited pro forma adjusted consolidated net tangible assets which has been prepared in accordance with Rule 7.31 of the GEM Listing Rules for the purpose of illustrating the effect of the Global Offering as if it had taken place on June 30, 2014 and based on the consolidated net tangible liabilities attributable to shareholders of the Company as of June 30, 2014 as shown in the Accountant's Report, the text of which is set out in Appendix I to this prospectus, and adjusted as described below.

This unaudited pro forma adjusted consolidated net tangible assets has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as of June 30, 2014 or at any future date.

	Audited consolidated net tangible liabilities attributable to shareholders of the Company as of June 30, 2014 ⁽¹⁾	Estimated net proceeds from the Global Offering ⁽²⁾	Estimated impact to consolidated net tangible assets upon the conversion of the Series A, Series B, Series C and Series D Preferred Shares ⁽³⁾	Unaudited pro forma adjusted consolidated net tangible assets attributable to shareholders of the Company	Unaudited pro forma adjusted consolidated net tangible assets per Share	
					(RMB) ⁽⁴⁾	(HK\$) ⁽⁶⁾
		(RMB '000)				
Based on the Offer Price of HK\$9.80 per Share	(736,379)	508,093	1,151,072	922,786	2.50	3.16
Based on the Offer Price of HK\$13.10 per Share	(736,379)	692,574	1,151,072	1,107,267	2.99	3.78

Notes:

- (1) The audited consolidated net tangible liabilities attributable to shareholders of the Company as of June 30, 2014 is extracted from the Accountant's Report set forth in Appendix I to the prospectus, which is based on the audited consolidated net liabilities attributable to shareholders of the Company as of June 30, 2014 of RMB723.5 million with an adjustment for the intangible assets as of June 30, 2014 of RMB12.9 million.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$9.80 and HK\$13.10 per Share, being the lower end to higher end of the stated offer price range, respectively, after deduction of the underwriting fees and other related expenses payable by the Company.

- (3) Upon the Listing, 71,111,120 Series A Preferred Shares, 42,454,400 Series B Preferred Shares, 24,905,480 Series C Preferred Shares (after the Share Subdivision) and 14,793,523 Series D Preferred Shares will be automatically converted into our Shares on a one-to-one basis under which the carrying amounts of the Series A Preferred Shares, Series B Preferred Shares, Series C Preferred Shares and Series D Preferred Shares recorded as a liability of the Company will be transferred to the Company's equity.
- (4) The unaudited pro forma adjusted consolidated net tangible assets per Share are determined after the adjustments as described in note (2) and (3) above and on the basis that 369,838,464 Shares are in issue, assuming the Global Offering had been completed on June 30, 2014 but takes no account of any Shares which may be allotted and issued or repurchased by the Company pursuant to the General Mandate to issue or repurchase Shares as described in the section headed "Share Capital", or any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme.
- (5) No adjustments have been made to the unaudited pro forma adjusted consolidated net tangible assets to reflect any trading results or other transactions of the Group entered into subsequent to June 30, 2014.
- (6) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi is converted into Hong Kong dollars at a rate of HK\$1.00 to RMB0.79139. No representation is made that Renminbi amounts have been, could have been or may be converted to Hong Kong dollars, or vice versa, at that rate.

B. REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE
COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION INCLUDED IN A
PROSPECTUS****TO THE DIRECTORS OF LINEKONG INTERACTIVE CO., LTD.**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Linekong Interactive Co., Ltd. (the "Company") and its subsidiaries (collectively the "Group") by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as of June 30, 2014, and related notes (the "Unaudited Pro Forma Financial Information") as set out on pages II-1 to II-2 of the Company's prospectus dated December 9, 2014, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2 of the Company's prospectus.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group's financial position as of June 30, 2014 as if the proposed initial public offering had taken place at June 30, 2014. As part of this process, information about the Group's financial position has been extracted by the directors from the Group's financial information for the six months ended June 30, 2014, on which an accountant's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("AG 7") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

Reporting Accountant's Responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

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PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus”, issued by the HKICPA. This standard requires that the reporting accountant complies with ethical requirements and plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 7.31 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at June 30, 2014 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant’s judgment, having regard to the reporting accountant’s understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our work has not been carried out in accordance with auditing standards or other standards and practices generally accepted in the United States of America or auditing standards of the Public Company Accounting Oversight Board (United States) and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 7.31(1) of the Listing Rules.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, December 9, 2014

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

This Appendix contains a summary of the Memorandum and Articles of Association of our Company. As the information set out below is in summary form, it does not contain all of the information that may be important to potential investors. As stated in the section headed “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix V to this prospectus, a copy of the Memorandum and Articles of Association is available for inspection.

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1. Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on November 20, 2014 and states, inter alia, that the liability of the members of the Company is limited, that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Companies Law or any other law of the Cayman Islands.

The Memorandum of Association is available for inspection at the address specified in Appendix V in the section headed “Documents available for inspection”.

2. Articles of Association

The Articles of Association of the Company were conditionally adopted on November 20, 2014 and include provisions to the following effect:

2.1 Classes of Shares

The share capital of the Company consists of ordinary shares. The capital of the Company at the date of adoption of the Articles is US\$50,000 divided into 2,000,000,000 shares of US\$0.000025 each.

2.2 Directors

(a) Power to allot and issue Shares

Subject to the provisions of the Companies Law and the Memorandum and Articles of Association, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Directors, who may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Directors shall determine.

Subject to the provisions of the Articles of Association and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Directors may determine. Subject to the Companies Law and to any special rights conferred on any shareholders or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof, liable to be redeemed.

(b) Power to dispose of the assets of the Company or any subsidiary

The management of the business of the Company shall be vested in the Directors who, in addition to the powers and authorities by the Articles of Association expressly conferred upon them, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company

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and are not by the Articles of Association or the Companies Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Companies Law and of the Articles of Association and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or the Articles of Association, provided that no regulation so made shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made.

(c) Compensation or payment for loss of office

Payment to any Director or past Director of any sum by way of compensation for loss of office or as consideration for or in connection with his retirement from office (not being a payment to which the Director is contractually entitled) must first be approved by the Company in general meeting.

(d) Loans to Directors

There are provisions in the Articles of Association prohibiting the making of loans to Directors or their respective close associates which are equivalent to the restrictions imposed by the Companies Ordinance.

(e) Financial assistance to purchase Shares

Subject to all applicable laws, the Company may give financial assistance to Directors and employees of the Company, its subsidiaries or any holding company or any subsidiary of such holding company in order that they may buy shares in the Company or any such subsidiary or holding company. Further, subject to all applicable laws, the Company may give financial assistance to a trustee for the acquisition of shares in the Company or shares in any such subsidiary or holding company to be held for the benefit of employees of the Company, its subsidiaries, any holding company of the Company or any subsidiary of any such holding company (including salaried Directors).

(f) Disclosure of interest in contracts with the Company or any of its subsidiaries

No Director or proposed Director shall be disqualified by his office from contracting with the Company either as vendor, purchaser or otherwise nor shall any such contract or any contract or arrangement entered into by or on behalf of the Company with any person, company or partnership of or in which any Director shall be a member or otherwise interested be capable on that account of being avoided, nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the board of Directors at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may be made by the Company.

A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Directors in respect of any contract or arrangement or any other proposal in which the Director or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:

- (i) the giving to such Director or any of his close associates of any security or indemnity in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries;

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- (ii) the giving of any security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;
- (iii) any proposal concerning an offer of shares, debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or sub-underwriting of the offer;
- (iv) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:
 - (A) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his close associates may benefit; or
 - (B) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their close associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his close associates, as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and
- (v) any contract or arrangement in which the Director or any of his close associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.

(g) Remuneration

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of

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salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) Retirement, appointment and removal

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of Association or in any agreement between the Company and such Director (but without prejudice to any claim for compensation or damages payable to him in respect of the termination of his appointment as Director or of any other appointment of office as a result of the termination of this appointment as Director). The Company may by ordinary resolution appoint another person in his place. Any Director so appointed shall hold office during such time only as the Director in whose place he is appointed would have held the same if he had not been removed. The Company may also by ordinary resolution elect any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next following general meeting of the Company and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at such meeting. No person shall, unless recommended by the Directors, be eligible for election to the office of Director at any general meeting unless, during the period, which shall be at least seven days, commencing no earlier than the day after the despatch of the notice of the meeting appointed for such election and ending no later than seven days prior to the date of such meeting, there has been given to the Secretary of the Company notice in writing by a member of the Company (not being the person to be proposed) entitled to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also notice in writing signed by the person to be proposed of his willingness to be elected.

There is no shareholding qualification for Directors nor is there any specified age limit for Directors.

The office of a Director shall be vacated:

- (i) if he resigns his office by notice in writing to the Company at its registered office or its principal office in Hong Kong;
- (ii) if an order is made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs and the Directors resolve that his office be vacated;
- (iii) if, without leave, he is absent from meetings of the Directors (unless an alternate Director appointed by him attends) for 12 consecutive months, and the Directors resolve that his office be vacated;
- (iv) if he becomes bankrupt or has a receiving order made against him or suspends payment or compounds with his creditors generally;

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- (v) if he ceases to be or is prohibited from being a Director by law or by virtue of any provision in the Articles of Association;
- (vi) if he is removed from office by notice in writing served upon him signed by not less than three-fourths in number (or, if that is not a round number, the nearest lower round number) of the Directors (including himself) for the time being then in office; or
- (vii) if he shall be removed from office by an ordinary resolution of the members of the Company under the Articles of Association.

At every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation, provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors.

(i) Borrowing powers

The Directors may from time to time at their discretion exercise all the powers of the Company to raise or borrow or to secure the payment of any sum or sums of money for the purposes of the Company and to mortgage or charge its undertaking, property and assets (present and future) and uncalled capital or any part thereof.

(j) Proceedings of the Board

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings and proceedings as they think fit in any part of the world. Questions arising at any meeting shall be determined by a majority of votes. In the case of an equality of votes, the chairman of the meeting shall have a second or casting vote.

2.3 Alteration to constitutional documents

No alteration or amendment to the Memorandum or Articles of Association may be made except by special resolution.

2.4 Variation of rights of existing shares or classes of shares

If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Companies Law, be varied or abrogated either with the consent in writing of the holders of not less than three-fourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of that class. To every such separate meeting all the provisions of the Articles of Association relating to general meetings shall *mutatis mutandis* apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorized representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

2.5 Alteration of capital

The Company in general meeting may, from time to time, whether or not all the shares for the time being authorized shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorized and subject to any conditions prescribed by the Companies Law.

2.6 Special resolution — majority required

A "special resolution" is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

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In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorized representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 Voting rights

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorized representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the GEM Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

In the case of joint registered holders of any share, any one of such persons may vote at any meeting, either personally or by proxy, in respect of such share as if he were solely entitled thereto; but if more than one of such joint holders be present at any meeting personally or by proxy, that one of the said persons so present being the most or, as the case may be, the more senior shall alone be entitled to vote in respect of the relevant joint holding and, for this purpose, seniority shall be determined by reference to the order in which the names of the joint holders stand on the register in respect of the relevant joint holding.

A member of the Company in respect of whom an order has been made by any competent court or official on the grounds that he is or may be suffering from mental disorder or is otherwise incapable of managing his affairs may vote by any person authorized in such circumstances to do so and such person may vote by proxy.

Save as expressly provided in the Articles of Association or as otherwise determined by the Directors, no person other than a member of the Company duly registered and who shall have paid all sums for the time being due from him payable to the Company in respect of his shares shall be entitled to be present or to vote (save as proxy for another member of the Company), or to be reckoned in a quorum, either personally or by proxy at any general meeting.

At any general meeting a resolution put to the vote of the meeting shall be decided by way of a poll save that the chairman of the meeting may allow a resolution which relates purely to a procedural or administrative matter as prescribed under the GEM Listing Rules to be voted on by a show of hands.

If a recognized clearing house (or its nominee(s)) is a member of the Company it may authorize such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorized, the authorization shall specify the number and class of shares in respect of which each such person is so authorized. A person authorized pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognized clearing house (or its nominee(s)) which he represents as that recognized clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorization, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 Annual general meetings

The Company shall in each year hold a general meeting as its annual general meeting in addition to any other general meeting in that year and shall specify the meeting as such in the notice calling it; and not more than 15 months (or such longer period as the Stock Exchange may authorize) shall elapse between the date of one annual general meeting of the Company and that of the next.

2.9 Accounts and audit

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorized by the Directors or by the Company in general meeting.

The Directors shall, commencing with the first annual general meeting, cause to be prepared and to be laid before the members of the Company at every annual general meeting a profit and loss account for the period, in the case of the first account, since the incorporation of the Company and, in any other case, since the preceding account, together with a balance sheet as at the date to which the profit and loss account is made up and a Director's report with respect to the profit or loss of the Company for the period covered by the profit and loss account and the state of the Company's affairs as at the end of such period, an auditor's report on such accounts and such other reports and accounts as may be required by law. Copies of those documents to be laid before the members of the Company at an annual general meeting shall not less than 21 days before the date of the meeting, be sent in the manner in which notices may be served by the Company as provided in the Articles of Association to every member of the Company and every holder of debentures of the Company provided that the Company shall not be required to send copies of those documents to any person of whose address the Company is not aware or to more than one of the joint holders of any shares or debentures.

The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The remuneration of the auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Directors.

2.10 Notice of meetings and business to be conducted thereat

An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions to be considered at the meeting and, in the case of special business, the general nature of that business. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every

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general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

All business shall be deemed special that is transacted at an extraordinary general meeting and also all business shall be deemed special that is transacted at an annual general meeting with the exception of the following, which shall be deemed ordinary business:

- (a) the declaration and sanctioning of dividends;
- (b) the consideration and adoption of the accounts and balance sheets and the reports of the Directors and the auditors and other documents required to be annexed to the balance sheet;
- (c) the election of Directors in place of those retiring;
- (d) the appointment of auditors;
- (e) the fixing of, or the determining of the method of fixing of, the remuneration of the Directors and of the auditors;
- (f) the granting of any mandate or authority to the Directors to offer, allot, grant options over or otherwise dispose of the unissued shares of the Company representing not more than 20% (or such other percentage as may from time to time be specified in the GEM Listing Rules) in nominal value of its then existing issued share capital and the number of any securities repurchased pursuant to sub-paragraph (g) below; and
- (g) the granting of any mandate or authority to the Directors to repurchase securities of the Company.

2.11 Transfer of shares

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;

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- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favor of the Company; and
- (f) a fee of such maximum as the Stock Exchange may from time to time determine to be payable (or such lesser sum as the Directors may from time to time require) is paid to the Company in respect thereof.

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

The registration of transfers may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be suspended and the register of members of the Company closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

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The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other moneys payable on or in respect of a share upon which the Company has a lien, and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists. The Directors may also deduct from any dividend or other moneys payable to any member of the Company all sums of money (if any) presently payable by him to the Company on account of calls, instalments or otherwise.

No dividend shall carry interest against the Company.

Whenever the Directors or the Company in general meeting have resolved that a dividend be paid or declared on the share capital of the Company, the Directors may further resolve: (a) that such dividend be satisfied wholly or in part in the form of an allotment of shares credited as fully paid up on the basis that the shares so allotted are to be of the same class as the class already held by the allottee, provided that the members of the Company entitled thereto will be entitled to elect to receive such dividend (or part thereof) in cash in lieu of such allotment; or (b) that the members of the Company entitled to such dividend will be entitled to elect to receive an allotment of shares credited as fully paid up in lieu of the whole or such part of the dividend as the Directors may think fit on the basis that the shares so allotted are to be of the same class as the class already held by the allottee. The Company may upon the recommendation of the Directors by ordinary resolution resolve in respect of any one particular dividend of the Company that notwithstanding the foregoing a dividend may be satisfied wholly in the form of an allotment of shares credited as fully paid without offering any right to members of the Company to elect to receive such dividend in cash in lieu of such allotment.

Any dividend, interest or other sum payable in cash to a holder of shares may be paid by cheque or warrant sent through the post addressed to the registered address of the member of the Company entitled, or in the case of joint holders, to the registered address of the person whose name stands first in the register of members of the Company in respect of the joint holding or to such person and to such address as the holder or joint holders may in writing direct. Every cheque or warrant so sent shall be made payable to the order of the holder or, in the case of joint holders, to the order of the holder whose name stands first on the register of members of the Company in respect of such shares, and shall be sent at his or their risk and the payment of any such cheque or warrant by the bank on which it is drawn shall operate as a good discharge to the Company in respect of the dividend and/or bonus represented thereby, notwithstanding that it may subsequently appear that the same has been stolen or that any endorsement thereon has been forged. The Company may cease sending such cheques for dividend entitlements or dividend warrants by post if such cheques or warrants have been left uncashed on two consecutive occasions. However, the Company may exercise its power to cease sending cheques for dividend entitlements or dividend warrants after the first occasion on which such a cheque or warrant is returned undelivered. Any one of two or more joint holders may give effectual receipts for any dividends or other moneys payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and

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where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

2.15 Proxies

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favor of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorized in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorized to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 Calls on shares and forfeiture of shares

The Directors may from time to time make calls upon the members of the Company in respect of any moneys unpaid on their shares (whether on account of the nominal amount of the shares or by way of premium or otherwise) and not by the conditions of allotment thereof made payable at fixed times and each member of the Company shall (subject to the Company serving upon him at least 14 days' notice specifying the time and place of payment and to whom such payment shall be made) pay to the person at the time and place so specified the amount called on his shares. A call may be revoked or postponed as the Directors may determine. A person upon whom a call is made shall remain liable on such call notwithstanding the subsequent transfer of the shares in respect of which the call was made.

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A call may be made payable either in one sum or by instalments and shall be deemed to have been made at the time when the resolution of the Directors authorizing the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other moneys due in respect thereof.

If a sum called in respect of a share shall not be paid before or on the day appointed for payment thereof, the person from whom the sum is due shall pay interest on the sum from the day appointed for payment thereof to the time of actual payment at such rate, not exceeding 15% per annum, as the Directors may determine, but the Directors shall be at liberty to waive payment of such interest wholly or in part.

If any call or instalment of a call remains unpaid on any share after the day appointed for payment thereof, the Directors may at any time during such time as any part thereof remains unpaid serve a notice on the holder of such shares requiring payment of so much of the call or instalment as is unpaid together with any interest which may be accrued and which may still accrue up to the date of actual payment.

The notice shall name a further day (not being less than 14 days from the date of service of the notice) on or before which, and the place where, the payment required by the notice is to be made, and shall state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which such call was made or instalment is unpaid will be liable to be forfeited.

If the requirements of such notice are not complied with, any share in respect of which such notice has been given may at any time thereafter, before payment of all calls or instalments and interest due in respect thereof has been made, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends and bonuses declared in respect of the forfeited shares and not actually paid before the forfeiture. A forfeited share shall be deemed to be the property of the Company and may be re-allotted, sold or otherwise disposed of.

A person whose shares have been forfeited shall cease to be a member of the Company in respect of the forfeited shares but shall, notwithstanding the forfeiture, remain liable to pay to the Company all moneys which at the date of forfeiture were payable by him to the Company in respect of the shares, together with (if the Directors shall in their discretion so require) interest thereon at such rate not exceeding 15% per annum as the Directors may prescribe from the date of forfeiture until payment, and the Directors may enforce payment thereof without being under any obligation to make any allowance for the value of the shares forfeited, at the date of forfeiture.

2.17 Inspection of register of members

The register of members of the Company shall be kept in such manner as to show at all times the members of the Company for the time being and the shares respectively held by them. The register may, on 14 days' notice being given by advertisement published on the Stock Exchange's website, or, subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association or by advertisement published in the newspapers, be closed at such times and for such periods as the Directors may from time to time determine either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

Any register of members kept in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Directors may impose) be open to inspection by any member of the

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Company without charge and by any other person on payment of such fee not exceeding HK\$2.50 (or such higher amount as may from time to time be permitted under the GEM Listing Rules) as the Directors may determine for each inspection.

2.18 Quorum for meetings and separate class meetings

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the appointment, choice or election of a chairman which shall not be treated as part of the business of the meeting.

Two members of the Company present in person or by proxy shall be a quorum provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy.

A corporation being a member of the Company shall be deemed for the purpose of the Articles of Association to be present in person if represented by its duly authorized representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph above.

2.19 Rights of minorities in relation to fraud or oppression

There are no provisions in the Articles of Association concerning the rights of minority shareholders in relation to fraud or oppression.

2.20 Procedure on liquidation

If the Company shall be wound up, and the assets available for distribution amongst the members of the Company as such shall be insufficient to repay the whole of the paid-up capital, such assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members of the Company in proportion to the capital paid up, or which ought to have been paid up, at the commencement of the winding up on the shares held by them respectively. And if in a winding up the assets available for distribution amongst the members of the Company shall be more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed amongst the members of the Company in proportion to the capital paid up at the commencement of the winding up on the shares held by them respectively. The foregoing is without prejudice to the rights of the holders of shares issued upon special terms and conditions.

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

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2.21 Untraceable members

The Company shall be entitled to sell any shares of a member of the Company or the shares to which a person is entitled by virtue of transmission on death or bankruptcy or operation of law if: (a) all cheques or warrants, not being less than three in number, for any sums payable in cash to the holder of such shares have remained uncashed for a period of 12 years; (b) the Company has not during that time or before the expiry of the three month period referred to in (d) below received any indication of the whereabouts or existence of the member; (c) during the 12 year period, at least three dividends in respect of the shares in question have become payable and no dividend during that period has been claimed by the member; and (d) upon expiry of the 12 year period, the Company has caused an advertisement to be published in the newspapers or subject to the GEM Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as provided in the Articles of Association, giving notice of its intention to sell such shares and a period of three months has elapsed since such advertisement and the Stock Exchange has been notified of such intention. The net proceeds of any such sale shall belong to the Company and upon receipt by the Company of such net proceeds it shall become indebted to the former member for an amount equal to such net proceeds.

SUMMARY OF CAYMAN ISLANDS COMPANY LAW AND TAXATION

1. Introduction

The Companies Law is derived, to a large extent, from the older Companies Acts of England, although there are significant differences between the Companies Law and the current Companies Act of England. Set out below is a summary of certain provisions of the Companies Law, although this does not purport to contain all applicable qualifications and exceptions or to be a complete review of all matters of corporate law and taxation which may differ from equivalent provisions in jurisdictions with which interested parties may be more familiar.

2. Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on May 24, 2007 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorized share capital.

3. Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the premia on those shares shall be transferred to an account called the “share premium account”. At the option of a company, these provisions may not apply to premia on shares of that company allotted pursuant to any arrangement in consideration of the acquisition or cancellation of shares in any other company and issued at a premium. The Companies Law provides that the share premium account may be applied by a company, subject to the provisions, if any, of its memorandum and articles of association, in such manner as the company may from time to time determine including, but without limitation:

- (a) paying distributions or dividends to members;

**APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY
AND CAYMAN ISLANDS COMPANY LAW**

- (b) paying up unissued shares of the company to be issued to members as fully paid bonus shares;
- (c) in the redemption and repurchase of shares (subject to the provisions of section 37 of the Companies Law);
- (d) writing-off the preliminary expenses of the company;
- (e) writing-off the expenses of, or the commission paid or discount allowed on, any issue of shares or debentures of the company; and
- (f) providing for the premium payable on redemption or purchase of any shares or debentures of the company.

No distribution or dividend may be paid to members out of the share premium account unless immediately following the date on which the distribution or dividend is proposed to be paid the company will be able to pay its debts as they fall due in the ordinary course of business.

The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorized by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorized to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorized either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4. Dividends and Distributions

With the exception of section 34 of the Companies Law, there are no statutory provisions relating to the payment of dividends. Based upon English case law which is likely to be persuasive in the Cayman Islands in this area, dividends may be paid only out of profits. In addition, section 34 of the Companies Law permits, subject to a solvency test and the provisions, if any, of the company's memorandum and articles of association, the payment of dividends and distributions out of the share premium account (see paragraph above for details).

5. Shareholders' Suits

The Cayman Islands courts can be expected to follow English case law precedents. The rule in *Foss v. Harbottle* (and the exceptions thereto which permit a minority shareholder to commence a class action against or derivative actions in the name of the company to challenge (a) an act which is *ultra vires* the company or illegal, (b) an act which constitutes a fraud against the minority where the wrongdoers are themselves in control of the company, and (c) an action which requires a resolution with a qualified (or special) majority which has not been obtained) has been applied and followed by the courts in the Cayman Islands.

6. Protection of Minorities

In the case of a company (not being a bank) having a share capital divided into shares, the Grand Court of the Cayman Islands may, on the application of members holding not less than one-fifth of the shares of the company in issue, appoint an inspector to examine into the affairs of the company and to report thereon in such manner as the Grand Court shall direct.

Any shareholder of a company may petition the Grand Court of the Cayman Islands which may make a winding up order if the court is of the opinion that it is just and equitable that the company should be wound up.

Claims against a company by its shareholders must, as a general rule, be based on the general laws of contract or tort applicable in the Cayman Islands or their individual rights as shareholders as established by the company's memorandum and articles of association.

The English common law rule that the majority will not be permitted to commit a fraud on the minority has been applied and followed by the courts of the Cayman Islands.

7. Disposal of Assets

The Companies Law contains no specific restrictions on the powers of directors to dispose of assets of a company. As a matter of general law, in the exercise of those powers, the directors must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the company.

8. Accounting and Auditing Requirements

The Companies Law requires that a company shall cause to be kept proper books of account with respect to:

- (a) all sums of money received and expended by the company and the matters in respect of which the receipt and expenditure takes place;
- (b) all sales and purchases of goods by the company; and
- (c) the assets and liabilities of the company.

Proper books of account shall not be deemed to be kept if there are not kept such books as are necessary to give a true and fair view of the state of the company's affairs and to explain its transactions.

9. Register of Members

An exempted company may, subject to the provisions of its articles of association, maintain its principal register of members and any branch registers at such locations, whether within or without the

Cayman Islands, as its directors may from time to time think fit. There is no requirement under the Companies Law for an exempted company to make any returns of members to the Registrar of Companies of the Cayman Islands. The names and addresses of the members are, accordingly, not a matter of public record and are not available for public inspection.

10. Inspection of Books and Records

Members of a company will have no general right under the Companies Law to inspect or obtain copies of the register of members or corporate records of the company. They will, however, have such rights as may be set out in the company's articles of association.

11. Special Resolutions

The Companies Law provides that a resolution is a special resolution when it has been passed by a majority of not less than two-thirds (or such greater number as may be specified in the articles of association of the company) of such members as, being entitled to do so, vote in person or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorized by the articles of association of the company.

12. Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13. Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorized by (a) a special resolution of each constituent company and (b) such other authorization, if any, as may be specified in such constituent company's articles of association. The written plan of merger or consolidation must be filed with the Registrar of Companies together with a declaration as to the solvency of the consolidated or surviving company, a list of the assets and liabilities of each constituent company and an undertaking that a copy of the certificate of merger or consolidation will be given to the members and creditors of each constituent company and that notification of the merger or consolidation will be published in the Cayman Islands Gazette. Dissenting shareholders have the right to be paid the fair value of their shares (which, if not agreed between the parties, will be determined by the Cayman Islands court) if they follow the required procedures, subject to certain exceptions. Court approval is not required for a merger or consolidation which is effected in compliance with these statutory procedures.

14. Reconstructions

There are statutory provisions which facilitate reconstructions and amalgamations approved by a majority in number representing 75% in value of shareholders or creditors, depending on the circumstances, as are present at a meeting called for such purpose and thereafter sanctioned by the Grand Court of the Cayman Islands. Whilst a dissenting shareholder would have the right to express to the Grand Court his view that the transaction for which approval is sought would not provide the shareholders with a fair value for their shares, the Grand Court is unlikely to disapprove the transaction on that ground alone in the absence of evidence of fraud or bad faith on behalf of management and if the transaction were approved and consummated the dissenting shareholder would have no rights comparable to the appraisal rights (i.e. the right to receive payment in cash for the judicially determined value of his shares) ordinarily available, for example, to dissenting shareholders of United States corporations.

15. Take-overs

Where an offer is made by a company for the shares of another company and, within four months of the offer, the holders of not less than 90% of the shares which are the subject of the offer accept, the offeror may at any time within two months after the expiration of the said four months, by notice require the dissenting shareholders to transfer their shares on the terms of the offer. A dissenting shareholder may apply to the Grand Court of the Cayman Islands within one month of the notice objecting to the transfer. The burden is on the dissenting shareholder to show that the Grand Court should exercise its discretion, which it will be unlikely to do unless there is evidence of fraud or bad faith or collusion as between the offeror and the holders of the shares who have accepted the offer as a means of unfairly forcing out minority shareholders.

16. Indemnification

Cayman Islands law does not limit the extent to which a company's articles of association may provide for indemnification of officers and directors, except to the extent any such provision may be held by the Cayman Islands courts to be contrary to public policy (e.g. for purporting to provide indemnification against the consequences of committing a crime).

17. Liquidation

A company may be placed in liquidation compulsorily by an order of the court, or voluntarily (a) by a special resolution of its members if the company is solvent, or (b) by an ordinary resolution of its members if the company is insolvent. The liquidator's duties are to collect the assets of the company (including the amount (if any) due from the contributories (shareholders)), settle the list of creditors and discharge the company's liability to them, rateably if insufficient assets exist to discharge the liabilities in full, and to settle the list of contributories and divide the surplus assets (if any) amongst them in accordance with the rights attaching to the shares.

18. Stamp Duty on Transfers

No stamp duty is payable in the Cayman Islands on transfers of shares of Cayman Islands companies except those which hold interests in land in the Cayman Islands.

19. Taxation

Pursuant to section 6 of the Tax Concessions Law (2011 Revision) of the Cayman Islands, the Company may obtain an undertaking from the Governor in Cabinet:

- (a) that no law which is enacted in the Cayman Islands imposing any tax to be levied on profits, income, gains or appreciations shall apply to the Company or its operations; and
- (b) in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable by the Company:
 - (i) on or in respect of the shares, debentures or other obligations of the Company; or
 - (ii) by way of the withholding in whole or in part of any relevant payment as defined in section 6(3) of the Tax Concessions Law (2011 Revision).

The Cayman Islands currently levy no taxes on individuals or corporations based upon profits, income, gains or appreciations and there is no taxation in the nature of inheritance tax or estate duty. There are no other taxes likely to be material to the Company levied by the Government of the Cayman Islands save certain stamp duties which may be applicable, from time to time, on certain instruments executed in or brought within the jurisdiction of the Cayman Islands. The Cayman Islands are not party to any double tax treaties that are applicable to any payments made by or to the Company.

20. Exchange Control

There are no exchange control regulations or currency restrictions in the Cayman Islands.

21. General

Maples and Calder, the Company's legal advisers on Cayman Islands law, have sent to the Company a letter of advice summarising aspects of Cayman Islands company law. This letter, together with a copy of the Companies Law, is available for inspection as referred to in the section headed "Documents available for inspection" in Appendix V. Any person wishing to have a detailed summary of Cayman Islands company law or advice on the differences between it and the laws of any jurisdiction with which he/she is more familiar is recommended to seek independent legal advice.

A. FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of Our Company**

Our Company was incorporated in the Cayman Islands under Cayman Companies Law as an exempted company with limited liability on May 24, 2007. Our Company has established a place of business in Hong Kong at 18/F, Tesbury Centre, 28 Queen's Road East, Wanchai, Hong Kong and has been registered with the Registrar of Companies in Hong Kong as a non-Hong Kong company under Part 16 of the Companies Ordinance on June 3, 2014. Lam Wai Yee Sophie has been appointed as the authorized representative of our Company for the acceptance of service of process and notices in Hong Kong.

As our Company was established in the Cayman Islands, its operations is subject to the Cayman Companies Law and to the Memorandum and Articles of Association. A summary of certain aspects of the Cayman Islands company law and a summary of certain provisions of our Articles of Associations are set out in the section headed "Summary of the Constitution of our Company and Cayman Islands Company Law" in Appendix III to this prospectus.

2. Changes in the Share Capital of Our Company

As of the date of incorporation of our Company, our Company had an authorized share capital of US\$50,000, divided into 50,000,000 shares in one class of US\$0.001 each.

The following changes in the share capital of our Company have taken place within the two years immediately preceding the date of this prospectus:

- On January 27, 2014, 622,637 authorized but unissued ordinary shares with a par value of US\$0.001 each were re-designated as 622,637 Series C Preferred Shares with a par value of US\$0.001 each. Upon completion of such alteration, our Company's authorized share capital was US\$50,000 divided into (i) 46,538,225 ordinary shares of par value of US\$0.001 each, (ii) 1,777,778 Series A Preferred Shares of par value of US\$0.001 each, (iii) 1,061,360 Series B Preferred Shares of par value of US\$0.001 each and (iv) 622,637 Series C Preferred Shares of par value of US\$0.001 each.
- On January 27, 2014, we allotted and issued a total of 622,637 Series C Preferred Shares to the Series C Investors at a total consideration of US\$30,000,000.
- On January 27, 2014, upon completion of the alteration and allotment on the same day, we implemented a 40-for-1 share split and the par value per share had been adjusted from US\$0.001 per share to US\$0.000025 per share. The maximum number of shares we are authorized to issue increased from 50,000,000 shares to 2,000,000,000 shares which comprised of (i) 1,861,529,000 ordinary shares of par value of US\$0.000025 each and (ii) 138,471,000 Preferred Shares of par value of US\$0.000025 each, of which 71,111,120 are designated as Series A Preferred Shares, 42,454,400 are designated as Series B Preferred Shares and 24,905,480 are designated as Series C Preferred Shares.
- On March 21, 2014, we allotted and issued a total of 42,161,541 Shares to the RSU Nominee at par value of US\$0.000025 each, with the consideration funded by Mr. Wang Feng.
- On May 8, 2014, 14,793,523 authorized but unissued ordinary shares with a par value of US\$0.000025 each were re-designated as 14,793,523 Series D Preferred Shares with a par value of US\$0.000025 each. Upon completion of such alteration, our Company's authorized share capital was US\$50,000 divided into (i) 1,846,735,477 ordinary shares of par value of US\$0.000025 each, (ii) 153,264,523 Preferred Shares of a par value of US\$0.000025 each, of

which 71,111,120 are designated as Series A Preferred Shares, 42,454,400 are designated as Series B Preferred Shares, 24,905,480 are designated as Series C Preferred Shares and 14,793,523 are designated as Series D Preferred Shares.

- On May 9, 2014, we allotted and issued a total of 14,793,523 Series D Preferred Shares to the Series D Investor at a total consideration of US\$20,000,000.

Save as disclosed above and in this prospectus, there has been no alteration in the share capital of our Company within the two years immediately preceding the date of this prospectus.

In addition, the following changes in the share capital of our Company will take place after the date of this prospectus:

- Assuming that the Global Offering becomes unconditional, the authorized share capital of our Company will be altered to US\$50,000, divided into 2,000,000,000 shares in one class of US\$0.000025 each by the re-designation of all authorized shares as ordinary shares.
- Assuming that the Global Offering becomes unconditional, immediately following the completion of the Global Offering, our issued share capital will be US\$9,245.96 divided into 369,838,464 Shares of US\$0.000025 each, all fully paid or credited as fully paid and 1,630,161,600 Shares of US\$0.000025 each will remain unissued.

3. Resolutions in Writing of the Shareholders of Our Company Passed on November 20, 2014

Pursuant to the written resolutions passed by the Shareholders on November 20, 2014:

- (a) conditional on (i) the Listing Division granting the listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus, (ii) the Offer Price being fixed on the Price Determination Date and (iii) the obligations of the Underwriters under the Underwriting Agreements becoming unconditional and not being terminated in accordance with the terms therein or otherwise, in each case on or before such dates as may be specified in the Underwriting Agreements:
 - (i) our Company approved and adopted the Memorandum and Articles of Association which will come into effect upon Listing;
 - (ii) the authorized share capital of our Company will be altered to US\$50,000, divided into 2,000,000,000 shares in one class of US\$0.000025 by the re-designation of all authorized shares as ordinary shares;
 - (iii) the Global Offering was approved and our Directors were authorized to allot and issue the new Shares pursuant to the Global Offering and approve the sale and transfer of the existing shares by the Selling Shareholders;
 - (iv) the proposed Listing was approved and our Directors were authorized to implement the Listing;
- (b) a general unconditional mandate was granted to our Directors to allot, issue and deal with Shares or securities convertible into Shares or options, warrants or similar rights to subscribe for Shares or such convertible securities and to make or grant offers, agreements or options which would or might require the exercise of such powers, provided that the aggregate nominal value of Shares allotted or agreed to be allotted by the Directors other than pursuant to (i) a rights issue, (ii) any scrip dividend scheme or similar arrangement providing for the allotment of Shares in lieu of the whole or part of a dividend on Shares in accordance with our

Articles, (iii) the exercise of options granted pursuant to the Share Option Scheme, (iv) the exercise of any subscription or conversion into Shares or in issue prior to the date of passing the relevant resolution or (v) a specific authority granted by the Shareholders in general meeting, shall not exceed the aggregate of (i) 20% of the total nominal value of the share capital of our Company in issue immediately following the completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme) and (ii) the total nominal value of the share capital of our Company repurchased by our Company (if any) under the general mandate to repurchase Shares referred to in paragraph (c) below, such mandate to remain in effect during the period from the passing of the resolution until the earliest of the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting (the “Applicable Period”);

- (c) a general unconditional mandate was granted to our Directors to exercise all the powers of our Company to repurchase on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognized by the SFC and the Stock Exchange for this purpose Shares with a total nominal value of not more than 10% of the total nominal value of the share capital of our Company in issue immediately following completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), such mandate to remain in effect during the Applicable Period; and
- (d) the general unconditional mandate mentioned in paragraph (b) above be extended by the addition to the aggregate nominal amount of the share capital of our Company which may be allotted or agreed conditionally or unconditionally to be allotted by our Directors pursuant to such general mandate of an amount representing the aggregate nominal amount of the share capital of our Company repurchased by our Company pursuant to the mandate to repurchase Shares referred to in paragraph (c) above, provided that such extended amount shall not exceed 10% of the aggregate nominal amount of the Company’s share capital in issue immediately following completion of the Global Offering (but excluding any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme); and
- (e) the rules of the Share Option Scheme, the principal terms of which are set forth in “Share Incentive Schemes — Share Option Scheme” in this Appendix, were approved and adopted conditional on (i) the Listing Division granting the listing of, and permission to deal in, the Shares to be issued pursuant to the exercise of any options which may be granted pursuant to the Share Option Scheme and (ii) the commencement of trading of the Shares on the Growth Enterprise Market of the Stock Exchange, and our Directors were authorized to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options that may be granted under the Share Option Scheme and to take all such actions as may be necessary and/or desirable to implement and give effect to the Share Option Scheme.

4. Our Corporate Reorganization

The companies comprising our Group underwent the Reorganization in preparation for the Listing. Please refer to the section headed “History, Reorganization and Corporate Structure” in this prospectus for further details.

5. Changes in the Share Capital of Our Subsidiaries

Our subsidiaries are listed in the Accountant’s Report, the text of which is set out in Appendix I to this prospectus. Save for the subsidiaries mentioned in the Accountant’s Report, we do not have any other subsidiaries.

The following alterations in the share capital or registered capital (as the case may be) of our subsidiaries (including Linekong Entertainment and its subsidiaries) have taken place within the two years immediately preceding the date of this prospectus:

(a) Tianjin 8864

On December 26, 2012, Tianjin 8864 was established in the PRC as a limited liability company with registered capital of RMB500,000 which had been fully paid up. Tianjin 8864 was held as to 100% by Linekong Entertainment.

On July 15, 2013, the registered capital of Tianjin 8864 was increased from RMB500,000 to RMB10,000,000 which had been fully paid up. Tianjin 8864 remained to be held as to 100% by Linekong Entertainment after the increase in registered capital.

(b) Linekong Holdings

On January 8, 2014, Linekong Holdings was incorporated in the BVI with limited liability. Linekong Holdings is authorized to issue a maximum of 50,000 shares of a single class with a par value of US\$1.00 each, of which one share was allotted and issued to our Company on January 8, 2014.

(c) Linekong Asia

On March 27, 2014, Linekong Asia was incorporated in Hong Kong with limited liability. The total number of shares that Linekong Asia proposes to issue was 10,000 ordinary shares with a total amount of share capital of HK\$10,000, all of which were subscribed by Linekong Holdings and were fully paid up on March 27, 2014.

(d) Linekong Korea

On April 16, 2014, Linekong Korea was incorporated in the Republic of Korea as a limited company. Linekong Korea is authorized to issue a maximum of 1,000,000 shares of US\$0.096937 each, of which 20,000 shares were allotted and issued to Linekong Asia on April 15, 2014.

(e) Zhixuntiantong Information

On May 20, 2014, Zhixuntiantong Information was established in the PRC as a limited liability company with registered capital of RMB2,000,000, which will be paid up in May 2016. Zhixuntiantong Information was held as to 100% by Linekong Entertainment.

(f) Beijing Lanhujiing

On May 29, 2014, Beijing Lanhujiing was established in the PRC as a limited liability company with registered capital of RMB10,000,000, which has been paid up. Beijing Lanhujiing was held as to 100% by Linekong Entertainment.

(g) Quwei

On July 25, 2014, Quwei was established in the PRC as a limited liability company with registered capital of RMB10,000,000, which will be paid up in July 2030. Quwei was held as to 100% by Linekong Entertainment.

6. Repurchases of Our Own Securities

(a) Provisions of the GEM Listing Rules

The GEM Listing Rules permit companies listed on GEM to repurchase their own securities on GEM subject to certain restrictions, the more important of which are summarized below:

(i) Shareholders' Approval

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on GEM must be approved in advance by an ordinary resolution of the shareholders in general meeting, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution passed by our then Shareholders on November 20, 2014, a general unconditional mandate (the "Repurchase Mandate") was given to the Directors authorizing any repurchase by our Company of Shares on GEM or on any other stock exchange on which the securities may be listed and which is recognized by the SFC and the Stock Exchange for this purpose, of not more than 10% of the aggregate nominal value of our Company's share capital in issue immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), such mandate to expire at the conclusion of our next annual general meeting, the expiration of the period within which we are required by any applicable laws or our Articles to hold our next annual general meeting or the date on which the resolution is varied or revoked by an ordinary resolution of the Shareholders in general meeting, whichever is the earliest.

(ii) Source of Funds

Repurchases must be funded out of funds legally available for the purpose in accordance with our Articles, the GEM Listing Rules and the applicable laws of the Cayman Islands.

A listed company may not repurchase its own securities on GEM for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange as amended from time to time. Subject to the foregoing, any repurchases by our Company may be made out of the profits of our Company or out of a fresh issue of Shares made for the purpose of the repurchase or, subject to the Cayman Companies Law, out of capital and, in the case of any premium payable on the purchase, out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, subject to the Cayman Companies Law, out of capital.

(iii) Trading Restrictions

The total number of shares which a listed company may repurchase on GEM is the number of shares representing up to a maximum of 10% of the aggregate number of shares in issue. A company may not issue or announce a proposed issue of new securities for a period of 30 days immediately following a repurchase (other than an issue of securities pursuant to an exercise of warrants, share options or similar instruments requiring the company to issue securities which were outstanding prior to such repurchase) without the prior approval of the Stock Exchange. In addition, a listed company is prohibited from repurchasing its shares on the Stock Exchange if the purchase price is 5% or more than the average

closing market price for the five preceding trading days on which its shares were traded on GEM. The GEM Listing Rules also prohibit a listed company from repurchasing its securities if the repurchase would result in the number of listed securities which are in the hands of the public falling below the relevant minimum prescribed percentage as required by the Stock Exchange. A company is required to procure that the broker appointed by it to effect a repurchase of securities discloses to the Stock Exchange such information with respect to the repurchase as the Stock Exchange may require.

(iv) Status of Repurchased Shares

All repurchased securities (whether effected on the Stock Exchange or otherwise) will be automatically delisted and the certificates for those securities must be cancelled and destroyed.

(v) Suspension of Repurchase

A listed company may not make any repurchase of securities on the Stock Exchange at any time after inside information has come to its knowledge until the information is made publicly available. In particular, during the period of one month immediately preceding the earlier of (a) the date of the board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of a listed company's results for any year, half-year, quarter-year or any other interim period (whether or not required under the GEM Listing Rules) and (b) the deadline for publication of an announcement of a listed company's results for any year, half-year or quarter-year under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules), and ending on the date of the results announcement, the listed company may not repurchase its shares on the Stock Exchange other than in exceptional circumstances. In addition, the Stock Exchange may prohibit a repurchase of securities on GEM if a listed company has breached the GEM Listing Rules.

(vi) Reporting Requirements

Certain information relating to repurchases of securities on the Stock Exchange or otherwise must be reported to the Stock Exchange not later than 30 minutes before the earlier of the commencement of the morning trading session or any pre-opening session on the following business day. In addition, a listed company's annual report is required to disclose details regarding repurchases of securities made during the year, including a monthly analysis of the number of securities repurchased, the purchase price per share or the highest and lowest price paid for all such repurchases, where relevant, and the aggregate prices paid.

(vii) Connected Persons

A listed company is prohibited from knowingly repurchasing securities on GEM from a core connected person (as defined in the GEM Listing Rules) and a core connected person is prohibited from knowingly selling his securities to the listed company.

(b) Reasons for Repurchases

Our Directors believe that the ability to repurchase Shares is in the interests of our Company and our Shareholders. Repurchases may, depending on market conditions, funding arrangements and other circumstances, result in an increase in the net assets and/or earnings per Share. Our Directors sought the grant of a general mandate to repurchase Shares to give our Company the flexibility to do so if and when appropriate. The number of Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regard to the

circumstances then pertaining. Repurchases of Shares will only be made when our Directors believe that such repurchases will benefit our Company and our Shareholders.

(c) Funding of Repurchases

In repurchasing securities, our Company may only apply funds lawfully available for such purpose in accordance with its Memorandum and Articles of Association, the GEM Listing Rules and the applicable laws of the Cayman Islands. There could be a material adverse impact on the working capital and/or gearing position of our Company (as compared with the position disclosed in this prospectus) in the event that the repurchase mandate were to be carried out in full at any time during the share repurchase period. However, our Directors do not propose to exercise the general mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Company or the gearing levels which in the opinion of our Directors are from time to time appropriate for our Company.

(d) General

The exercise in full of the repurchase mandate, on the basis of 369,838,464 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme), could accordingly result in up to approximately 36,983,846 Shares being repurchased by our Company during the period prior to:

- (i) the conclusion of our next annual general meeting; or
- (ii) the expiration of the period within which we are required by any applicable law or our Articles to hold our next annual general meeting; or
- (iii) the date when the repurchase mandate is varied or revoked by an ordinary resolution of our Shareholders in general meeting,

whichever is the earliest.

None of our Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their respective close associates (as defined in the GEM Listing Rules), has any present intention to sell any Shares to our Company or our subsidiaries.

Our Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the repurchase mandate in accordance with the GEM Listing Rules and the applicable laws in the Cayman Islands.

No core connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he/she or it has a present intention to sell Shares to our Company, or has undertaken not to do so, if the repurchase mandate is exercised.

If, as a result of any repurchase of Shares pursuant to the repurchase mandate, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purposes of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code"). Accordingly, a Shareholder or a group of Shareholders acting in concert could obtain or consolidate control of our Company and become obliged to make a mandatory offer in accordance with Rule 26 of the Takeovers Code. Save as aforesaid, the Directors are not aware of any consequences which would arise under the Takeovers Code as a consequence of any repurchases pursuant to the repurchase mandate.

Any repurchase of Shares that results in the number of Shares held by the public falling below 25% of the total number of Shares in issue, being the relevant minimum prescribed percentage as required by the Stock Exchange, could only be implemented if the Stock Exchange agreed to waive the requirement regarding the public float under Rule 11.23(7) of the GEM Listing Rules. However, our Directors have no present intention to exercise the repurchase mandate to such an extent that, under the circumstances, there would be insufficient public float as prescribed under the GEM Listing Rules.

B. FURTHER INFORMATION ABOUT OUR BUSINESS

1. Summary of Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) were entered into by our Company or its subsidiaries within the two years preceding the date of this prospectus and are or may be material:

- (a) the share purchase agreement dated January 15, 2014 entered into among the Company, the Investors (as defined therein), Beijing Linekong Online, Beijing Huanteng, Linekong Entertainment, the Founders (as defined therein) and the Selling Shareholders (as defined therein) pursuant to which the Investors have agreed to purchase from (i) the Company 622,637 series C preferred shares with a par value of US\$0.001 each of the Company at a consideration of US\$30,000,000 and (ii) the Selling Shareholders a total of 1,470,113 Sale Shares (as defined therein) at a total consideration of US\$50,000,000;
- (b) three indemnification agreements dated January 15, 2014 entered into among the Company and each of:
 1. Yihong Guo and IDG-Accel China Growth Fund L.P.;
 2. Feng Deng and Northern Light Venture Capital II, Ltd.; and
 3. Zhonghua Qian and Starwish Global Limited,pursuant to which the Company has given certain indemnities in favor of (i) Yihong Guo and IDG-Accel China Growth Fund L.P.; (ii) Feng Deng and Northern Light Venture Capital II, Ltd.; and (iii) Zhonghua Qian and Starwish Global Limited, and such agreements shall terminate and be of no further force or effect upon the closing of the IPO (as defined therein);
- (c) the restated and amended exclusive technology consulting and service agreement dated January 16, 2014, and as amended and supplemented by the supplemental agreement dated November 24, 2014, entered into among Beijing Linekong Online and Linekong Entertainment pursuant to which Linekong Entertainment agreed to engage Beijing Linekong Online as its exclusive technology consultant and service provider and Linekong Entertainment shall pay a service fee to Beijing Linekong Online that equals to the profit before taxation of Linekong Entertainment and its subsidiaries, including all profits attributable to Linekong Entertainment of, and all distributions received by Linekong Entertainment from, any of its subsidiaries but without taking into account the technology consulting and service fee payable under the agreement and after offsetting the prior-year loss (if any), deducting necessary cost of business, expenses and tax of each of Linekong Entertainment and its subsidiaries (as the case may be);
- (d) the restated and amended exclusive call option agreement dated January 16, 2014, and as amended and supplemented by the supplemental agreement dated November 24, 2014, entered

into among Beijing Linekong Online, Wang Feng, Liao Mingxiang and Zhang Yuyu (each a “Registered Shareholder”, and collectively, the “Registered Shareholders”) and Linekong Entertainment, pursuant to which the Registered Shareholders and Linekong Entertainment severally or jointly granted to Beijing Linekong Online and/or its designated person(s) irrevocable and exclusive options to purchase all or part of their equity interests in, and/or all or part of the assets of, Linekong Entertainment any time at the minimum purchase price permitted under PRC laws and regulations or at the net book value of such assets (as the case may be);

- (e) the restated and amended equity pledge agreement dated January 16, 2014 entered into among Beijing Linekong Online and the Registered Shareholders (as defined in sub-paragraph (d) above), pursuant to which the Registered Shareholders agreed to pledge all of their respective equity interests in Linekong Entertainment to Beijing Linekong Online to secure performance of all their obligations and the obligations of Linekong Entertainment under the restated and amended exclusive technology consulting and service agreement (as described in sub-paragraph (c) above), the restated and amended exclusive call option agreement (as described in sub-paragraph (d) above), the loan agreement (as described in sub-paragraph (f) below) and the power of attorney given by the Registered Shareholders to Beijing Linekong Online (collectively, the “Transaction Documents”), and under which Beijing Linekong Online is entitled to exercise its rights to deal with the pledged equity interests, entirely or partially, in Linekong Entertainment upon the breach of any of the terms of the Transaction Documents;
- (f) the loan agreement dated January 16, 2014 entered into among Beijing Linekong Online and the Registered Shareholders (as defined in sub-paragraph (d) above), pursuant to which Beijing Linekong Online agreed to lend a total of RMB9,970,000 to the Registered Shareholders without interest to allow them to assume the loan originally granted by our Company, for the purpose of acquiring the equity interests in Linekong Entertainment;
- (g) the trust deed dated March 21, 2014 entered into among the Company, the RSU Trustee and the RSU Nominee pursuant to which the RSU Nominee agreed to hold the Shares underlying the RSUs in accordance with the trust deed as nominee and the RSU Trustee agreed to act as the trustee in relation to the RSU Scheme;
- (h) the series A preferred share purchase agreement dated April 23, 2008, and as amended pursuant to the amendment to series A preferred share purchase agreement dated April 9, 2014, entered into among the Company, Beijing Huanteng, Linekong Entertainment, Beijing Linekong Online, the Founders (as defined therein) and the Investors (as defined therein) pursuant to which the Investors have agreed to purchase from the Company, and the Company has agreed to issue and allot to the Investors, a total of 1,777,778 series A preferred shares with a par value of US\$0.001 per share of the Company at a total consideration of US\$2,000,000, of which US\$830,000 was satisfied by canceling of the indebtedness owed by the Company to the Investors under a bridge loan with the aggregate principal amount of US\$830,000 and US\$1,170,000 were payable to the Company in cash;
- (i) two management rights letter dated April 9, 2014 from our Company to each of :
 - 1. IDG-Accel China Growth Fund L.P.; and
 - 2. IDG-Accel China Growth Fund-A L.P.,

concerning certain contractual management rights, rights to non-public financial information, inspection rights and other rights which each of IDG-Accel China Growth Fund L.P. and IDG-Accel China Growth Fund-A L.P. shall be entitled to;

- (j) the series B preferred shares purchase agreement dated May 7, 2008, and as amended pursuant to the amendment to series B preferred shares purchase agreement dated April 9, 2014, entered into among the Company, the Investors (as defined therein), Beijing Linekong Online, Beijing Huanteng, Linekong Entertainment and the Founders (as defined therein) pursuant to which the Investors have agreed to purchase from the Company, and the Company has agreed to issue and allot to the Investors, a total of 1,061,360 series B preferred shares with a par value of US\$0.001 per share of the Company at a total consideration of US\$16,000,000 payable in cash;
- (k) the indemnification agreement dated May 7, 2008, and as amended pursuant to the amendment to indemnification agreement dated April 9, 2014, entered into between the Company and Shuhua Zhou (the “Indemnatee”), pursuant to which the Company agreed to indemnify the Indemnatee to the fullest extent permitted by law in consideration of the Indemnatee’s service to the Company, and such agreement shall terminate and be of no further force or effect upon the consummation of a Qualified Public Offering (as defined therein);
- (l) two management rights letter dated April 9, 2014 from our Company to each of:
 - 1. Northern Light Venture Capital II, Ltd.; and
 - 2. New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership

concerning certain contractual management rights, rights to certain non-public financial information, inspection rights and other rights which each of Northern Light Venture Capital II, Ltd. and New Enterprise Associates 12, Limited Partnership and NEA Ventures 2008, Limited Partnership shall be entitled to;

- (m) the board observation rights letter dated April 9, 2014 from our Company to New Enterprise Associates 12, Limited Partnership concerning certain participation rights in discussions at all meetings of our Board and subcommittees of our Board in a nonvoting observer capacity;
- (n) three management rights letter dated April 9, 2014 from our Company to each of :
 - 1. Starwish Global Limited; and
 - 2. Eager Info Investments Limited; and
 - 3. SAIF Partners IV L.P.

concerning certain contractual management rights, rights to non-public financial information, inspection rights and other rights which each of Starwish Global Limited, Eager Info Investments Limited and SAIF Partners IV L.P. shall be entitled to;

- (o) the share purchase agreement dated May 8, 2014 entered into among the Company, Baidu Holdings Limited, Beijing Linekong Online, Linekong Entertainment, and the Founders (as defined therein), pursuant to which Baidu Holdings Limited has agreed to purchase from the Company, and the Company has agreed to issue and sell to Baidu Holdings Limited, a total of 14,793,523 series D preferred shares with a par value of US\$0.000025 per share of the Company at a total consideration of US\$20 million;

- (p) the third amended and restated shareholders agreement dated May 8, 2014 entered into among the Company, Beijing Linekong Online, Linekong Entertainment, the Founders (as defined therein) and the Investors (being the entities listed out as defined therein) governing certain rights and obligations of the shareholders, and the management and operation of the Company;
- (q) the cornerstone investment agreement dated December 5, 2014 entered into among our Company, ABG II-LineK Limited (as the investor), Ally Bridge Group Capital Partners II, L.P. (as the guarantor) and the Joint Global Coordinators, pursuant to which ABG II-LineK Limited agreed to purchase the Shares, at the Offer Price, in the amount of US\$15 million;
- (r) the cornerstone investment agreement dated December 5, 2014 entered into among our Company, Fubon Life Insurance Co., Ltd. and the Joint Global Coordinators, pursuant to which Fubon Life Insurance Co., Ltd. agreed to purchase the Shares, at the Offer Price, in the amount of US\$30 million;
- (s) the cornerstone investment agreement dated December 5, 2014 entered into among our Company, Greenland Financial Overseas Investment Group Co., Ltd. (as the investor), Greenland Financial Holdings Group Co., Ltd. (as the guarantor) and the Joint Global Coordinators, pursuant to which Greenland Financial Overseas Investment Group Co., Ltd. agreed to purchase the Shares, at the Offer Price, in the amount of US\$10 million; and
- (t) the Hong Kong Underwriting Agreement.




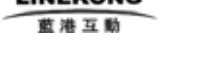
2. Our Intellectual Property Rights

As of the Latest Practicable Date, we have registered, or applied for the registration of, the following intellectual property rights which we consider to be material in relation to our business.

(a) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which are material to our business:

No.	Trademark	Type and Class ^(Note)	Registered Owner	Place of Registration	Registration Number	Registration Period
1		42	Linekong Entertainment*	PRC	6680633	September 7, 2010 to September 6 2020
2		41	Linekong Entertainment*	PRC	6680634	September 7, 2010 to September 6, 2020
3		38	Linekong Entertainment*	PRC	6680635	June 21, 2010 to June 20, 2020
4		35	Linekong Entertainment*	PRC	6680636	September 7, 2010 to September 6, 2020
5		16	Linekong Entertainment*	PRC	6680637	May 21, 2010 to May 20, 2020
6		9	Linekong Entertainment*	PRC	6680638	May 28, 2010 to May 27, 2020
7	东邪西毒	9	Linekong Entertainment	PRC	6680623	August 28, 2010 to August 27, 2020
8	东邪西毒	41	Linekong Entertainment	PRC	6680622	September 28, 2010 to September 27, 2020
9	佣兵天下	41	Linekong Entertainment	PRC	6314775	January 7, 2011 to January 6 2021
10	佣兵天下	35	Linekong Entertainment	PRC	8508183	August 28, 2011 to August 27, 2021
11	佣兵天下	38	Linekong Entertainment	PRC	8508214	August 7, 2011 to August 6, 2021
12	佣兵天下	42	Linekong Entertainment	PRC	8508355	May 28, 2013 to May 27, 2023
13	蓝港	38	Linekong Entertainment*	PRC	6171605	March 21, 2010 to March 20, 2020
14	蓝港	41	Linekong Entertainment*	PRC	6171606	June 7, 2010 to June 6, 2020

No.	Trademark	Type and Class ^(Note)	Registered Owner	Place of Registration	Registration Number	Registration Period
15	战魂	42	Linekong Entertainment	PRC	7604582	December 28, 2010 to December 27, 2020
16	战魂	41	Linekong Entertainment	PRC	7600856	December 28, 2010 to December 27, 2020
17	战魂	38	Linekong Entertainment	PRC	7604574	November 21, 2010 to November 20, 2020
18	战魂	35	Linekong Entertainment	PRC	7604563	December 14, 2010 to December 13, 2020
19	战魂	9	Linekong Entertainment	PRC	7600841	February 28, 2011 to February 27, 2021
20	飞天西游	41	Linekong Entertainment	PRC	7854879	January 21, 2011 to January 20, 2021
21	飞天西游	9	Linekong Entertainment	PRC	7854874	March 7, 2011 to March 6, 2021
22	黎明之光	38	Linekong Entertainment	PRC	10551550	April 21, 2013 to April 20, 2023
23	黎明之光	41	Linekong Entertainment	PRC	10551323	April 21, 2013 to April 20, 2023
24	黎明之光	42	Linekong Entertainment	PRC	10551365	April 21, 2013 to April 20, 2023
25		9	Linekong Entertainment	PRC	10579016	October 28, 2013 to October 27, 2023
26		35	Linekong Entertainment	PRC	10579045	October 28, 2013 to October 27, 2023
27		38	Linekong Entertainment	PRC	10579074	May 7, 2013 to May 6, 2023
28		42	Linekong Entertainment*	HK	302236464	April 27, 2012 to April 26, 2022
29		41,42	Linekong Entertainment*	HK	302258488	May 22, 2012 to May 21, 2022

* The Company has initiated the process of transferring the registered trademarks from Linekong Entertainment to Beijing Linekong Online.

As of the Latest Practicable Date, we have applied for the registration of the following trademarks which are material to our business:

No.	Trademark	Type and Class ^(Note)	Name of Applicant	Place of Application	Application Number	Application Date
1	佣兵天下	9	Linekong Entertainment	PRC	12321968	March 25, 2013
2	佣兵天下	41	Linekong Entertainment	PRC	12312701	March 22, 2013

No.	Trademark	Type and Class(Note)	Name of Applicant	Place of Application	Application Number	Application Date
3		42	Linekong Entertainment	PRC	10578905	March 6, 2012
4		9	Linekong Entertainment	PRC	12027060	January 10, 2013
5		41	Linekong Entertainment	PRC	12027074	January 10, 2013
6		42	Linekong Entertainment	PRC	12027086	January 10, 2013
7	神之刃	42	Linekong Entertainment	PRC	12615402	May 20, 2013
8	神之刃	41	Linekong Entertainment	PRC	12615302	May 20, 2013
9	神之刃	9	Linekong Entertainment	PRC	12615218	May 20, 2013
10		9	Linekong Entertainment	PRC	12995245	July 29, 2013
11		41	Linekong Entertainment	PRC	12995202	July 29, 2013
12		42	Linekong Entertainment	PRC	12995147	July 29, 2013
13		9	Linekong Entertainment*	PRC	14244502	March 25, 2014
14		38	Linekong Entertainment*	PRC	14244547	March 25, 2014
15		41	Linekong Entertainment*	PRC	14244509	March 25, 2014
16		42	Linekong Entertainment*	PRC	14244496	March 25, 2014
17	王者之剑	9	Linekong Entertainment	PRC	14222858	March 21, 2014
18		9	Linekong Entertainment	PRC	13628324	November 28, 2013
19		41	Linekong Entertainment	PRC	13628316	November 28, 2013
20		9, 41, 42	Linekong Entertainment*	Hong Kong	302846151	December 23, 2013

No.	Trademark	Type and Class ^(Note)	Name of Applicant	Place of Application	Application Number	Application Date
21	蓝港	9, 41, 42	Linekong Entertainment*	Hong Kong	302846133	December 23, 2013
22	linekong	9, 41, 42	Linekong Entertainment*	Hong Kong	302846142	December 23, 2013
23	神之刃	9	Linekong Entertainment	Taiwan	103026961	June 3, 2014
24	神之刃	41	Linekong Entertainment	Taiwan	103026960	June 3, 2014

Note:

- (1) Class 9: Scientific, nautical, surveying, photographic, cinematographic, optical, weighing, measuring, signaling, checking (supervision), life-saving and teaching apparatus and instruments; apparatus and instruments for conducting, switching transforming, accumulating, regulating or controlling electricity; apparatus for recording, transmission or reproduction of sound or images; magnetic data carriers, recording discs; compact discs, DVDs and other digital recording media; mechanisms for coin-operated apparatus; cash registers, calculating machines, data processing equipment, computers, computer software; fire-extinguishing apparatus.
 - (2) Class 16: Paper, cardboard and goods made from these materials, not included in other classes; printed matter; bookbinding material; photographs; stationery; adhesives for stationery or household purposes; artists' materials; paint brushes; typewriters and office requisites (except furniture); instructional and teaching material (except apparatus); plastic materials for packaging (not included in other classes); playing cards; printers' type; printing blocks.
 - (3) Class 35: Advertising; business management; business administration; office functions.
 - (4) Class 38: Telecommunications.
 - (5) Class 41: Education, providing of training, entertainment, sporting and cultural activities.
 - (6) Class 42: Scientific and technological services and research and design relating thereto, industrial analysis and research services, design and development of computer hardware and software.
- * The Company has initiated the process of transferring the application of registration of the trademarks from Linekong Entertainment to Beijing Linekong Online.

(b) Domain Names

As of the Latest Practicable Date, we have registered the following domain names which are material to our business:

No.	Domain Name	Registrant	Date of Registration	Expiry Date
1	linekong.com	Linekong Entertainment	January 23, 2007	January 24, 2021
2	8864.com	Linekong Entertainment	December 20, 1999	December 20, 2016
3	oksdk.com	Shouyoutong	June 18, 2014	June 18, 2017

(C) Copyrights

As of the Latest Practicable Date, we have registered the following computer software copyrights which are material to our business:

No.	Registrant	Title of Computer Software	Computer Software Copyright Registration Certificate Number	Place of Registration	Registration Date
1	Linekong Entertainment	Linekong Online Knife Tower War Mobile Game Software (“Knife Tower War”)V1.0* (藍港在線刀塔戰爭手機遊戲軟件 [簡稱：刀塔戰爭]V1.0)	0568850	PRC	June 26, 2013
2	Linekong Entertainment	Linekong Online Three Kingdom Online Game Software (“Three Kingdom”)V1.0* (藍港在線三國演義網絡遊戲軟件 [簡稱：藍港在線三國演義] V1.0)	0360648	PRC	December 17, 2011
3	Linekong Entertainment	Linekong Online Bubble Journey to the West Online Game Software (“Bubble Journey to the West”)V1.0* (藍港在線大笑西遊網絡遊戲軟件 [簡稱：大笑西遊] V1.0)	0272257	PRC	February 23, 2011
4	Linekong Entertainment	Warrior King Online Game Software V1.0* (傭兵天下網絡遊戲軟件 V1.0)	0178262	PRC	November 4, 2009
5	Linekong Entertainment	Ashes of Time Online Game Software V1.0* (東邪西毒網絡遊戲軟件 V1.0)	0178259	PRC	November 4, 2009
6	Linekong Entertainment	Journey to the West Online Game Software (“Journey to the West”) V1.0* (西遊記網絡遊戲軟件 [簡稱：西遊記]V1.0)	BJ13419	PRC	September 26, 2008
7	Tianjin 8864	8864 Sword of Heaven Game Software (“Sword of Heaven”) V1.0* (八八六四蒼穹之劍遊戲軟件 [簡稱：蒼穹之劍] V1.0)	0591906	PRC	August 16, 2013
8	Tianjin 8864	8864 Excalibur Online Game Software (“Excalibur”) V2.0* (八八六四王者之劍網絡遊戲軟件 [簡稱：王者之劍] V2.0)	0603663	PRC	September 9, 2013
9	Tianjin 8864	Linekong Online Excalibur Game Software (“Excalibur”) V1.0* (藍港在線王者之劍遊戲軟件 [簡稱：王者之劍] V1.0)	0591378	PRC	August 15, 2013
10	Tianjin 8864	Sword of Heroes Game Software (“Sword of Heroes”) V1.0* (英雄之劍遊戲軟件 [簡稱：英雄之劍]V1.0)	0704913	PRC	March 31, 2014
11	Tianjin 8864	Legend of Zhen Huan Online Game Software (“Legend of Zhen Huan”) V1.0* (後宮甄嬛傳網絡遊戲軟件 [簡稱：後宮甄嬛傳]V1.0)	0778658	PRC	July 31, 2014

* For identification purpose.

C. FURTHER INFORMATION ABOUT OUR DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

1. Disclosure of Interests

(a) *Interests of the Directors and the Chief Executive of Our Company*

Immediately following the completion of the Global Offering and without taking into account any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme or any Shares, so far as our Directors are aware, the interests or short positions of the Directors and chief executive of our Company in the Shares, underlying Shares and debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will be required to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be entered in the register referred to in that section, or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed, will be as follows:

Name of Director /Chief Executive	Capacity/Nature of Interest	Number of Underlying Shares	Approximate percentage of shareholding immediately following the completion of the Global Offering
Mr. Wang Feng ⁽³⁾	Interest of controlled corporation	66,576,160	20.28%
	Beneficial owner	8,432,308	
Ms. Liao Mingxiang ⁽⁴⁾	Interest of controlled corporation	12,168,720	4.05%
	Beneficial owner	2,810,769	
Mr. Mao Zhihai ⁽⁵⁾	Beneficial owner	2,810,769	0.76%

Notes:

- (1) The calculation is based on the total number of 369,838,464 Shares in issue immediately following the completion of the Global Offering (without taking into account any Shares which may be issued upon the exercise of the options which may be granted under the Share Option Scheme).
- (2) All interests stated are long positions.
- (3) Mr. Wang Feng holds the entire issued share capital of Wangfeng Management Limited, which in turn directly holds 66,576,160 Shares. Accordingly, Mr. Wang Feng is deemed to be interested in the 66,576,160 Shares held by Wangfeng Management Limited. In addition, Mr. Wang Feng is interested in 8,432,308 RSUs granted to him under the RSU Scheme entitling him to receive 8,432,308 Shares subject to vesting.
- (4) Ms. Liao Mingxiang holds the entire issued share capital of Liaomingxiang Holdings Limited, which in turn directly holds 12,168,720 Shares. Accordingly, Ms. Liao Mingxiang is deemed to be interested in the 12,168,720 Shares held by Liaomingxiang Holdings Limited. In addition, Ms. Liao Mingxiang is interested in 2,810,769 RSUs granted to her under the RSU Scheme entitling her to receive 2,810,769 Shares subject to vesting.
- (5) Mr. Mao Zhihai is interested in 2,810,769 RSUs granted to him under the RSU Scheme entitling him to receive 2,810,769 Shares subject to vesting.

(b) Interests of the Substantial Shareholders

Save as disclosed in the section headed “Substantial Shareholders” in this prospectus, our Directors or chief executive are not aware of any other person, not being a Director or chief executive of our Company, who has an interest or short position in the Shares or the underlying Shares which, once the Shares are listed, would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who is expected, directly or indirectly, to be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of our Company or any other member of our Group.

(c) Interests in Other Members of our Group

So far as our Directors are aware, as at the date of this prospectus, the following persons (excluding us) are directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group:

<u>Name of Subsidiary</u>	<u>Name of Shareholder</u>	<u>Registered Capital</u>	<u>Approximate % of Interest</u>
Linekong Entertainment	Mr. Wang Feng	RMB7,545,000	75.45%
Linekong Entertainment	Ms. Liao Mingxiang	RMB1,364,000	13.64%
Linekong Entertainment	Mr. Zhang Yuyu	RMB1,091,000	10.91%

2. Directors’ Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company on August 22, 2014 and we have issued letters of appointment to our non-executive Director and each of our independent non-executive Directors. The service contracts with our executive Directors and the letter of appointment with each of our non-executive Directors are for an initial term of three years commencing from August 22, 2014. The letters of appointment with each of our independent non-executive Directors are for an initial fixed term of three years commencing from April 24, 2014. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable GEM Listing Rules.

Save as disclosed above, none of our Directors has entered, or has proposed to enter, a service contract with any member of our Group (other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation)).

3. Directors’ Remuneration

The aggregate remuneration (including fees, salaries, contributions to pension schemes, discretionary bonuses, benefits in kind and share-based compensation) paid to our Directors for the years ended December 31, 2012 and 2013 and for the six months ended June 30, 2014 was approximately RMB12.7 million, RMB50.5 million and RMB19.8 million, respectively.

Save as disclosed in this prospectus, no other amounts have been paid or are payable by any member of our Group to our Directors for the years ended December 31, 2012 and 2013 and for the six months ended June 30, 2014.

Pursuant to the service contracts entered into between our Company and each of our executive Directors, the remuneration payable to each of our executive Directors are as follows:

Director	Remuneration (per annum) (RMB)
Mr. Wang Feng	1,200,000 ⁽¹⁾
Ms. Liao Mingxiang	1,000,000 ⁽¹⁾
Mr. Mao Zhihai	1,000,000 ⁽²⁾

Notes:

- (1) Including fees, basic salary, allowances and other benefits in kind, but excluding discretionary bonuses, contribution to pension schemes and social security funds, tax and share-based compensation.
- (2) Including fees, basic salary, bonuses, allowances and other benefits in kind, but excluding contribution to pension schemes and social security funds, tax and share-based compensation.

Our non-executive Director is not entitled to any director's fee. Each of our independent non-executive Directors shall be entitled to a director's fee of RMB20,000 per month, totalling RMB240,000 per annum.

Under the existing arrangements that are currently in force as of the date of this prospectus, the amount of remuneration (excluding discretionary bonuses and share-based compensation) paid and payable to our Directors by our Company for the year ending December 31, 2014 is estimated to be approximately RMB3.3 million in aggregate.

4. Directors' Competing Interests

Mr. Wang Feng holds approximately 4.02% of the total equity interest in Beijing Locojoy Technology Co., Ltd (北京樂動卓越科技有限公司) (“**Locojoy**”), an Internet company operated in the PRC, which is primarily engaged in developing and publishing online games. Mr. Wang does not hold any directorship, nor is he entitled to any special shareholder's rights in Locojoy. Save as aforementioned, each of our Directors confirms that he, she or it does not have any interest in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

5. Disclaimers

Save as disclosed in this prospectus:

- (a) none of our Directors or chief executive of our Company has any interests and short positions in the shares, underlying shares and debentures of our Company or our associated corporation (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he is taken or deemed to have under such provisions of SFO) or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by directors, to be notified to our Company and the Stock Exchange, in each case once our Shares are listed on GEM;
- (b) so far as is known to any Director or chief executive of our Company, no person has an interest or short position in the Shares and underlying Shares which would fall to be disclosed to our Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV

of the SFO, or is, directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of our Group;

- (c) none of our Directors nor any of the parties listed in the section headed “Other Information — Qualification of experts” of this Appendix is interested in our promotion, or in any assets which have, within the two years immediately preceding the issue of this prospectus, been acquired or disposed of by or leased to any member of our Group, or are proposed to be acquired or disposed of by or leased to any member of our Group;
- (d) save in connection with the Underwriting Agreements, none of our Directors nor any of the parties listed in section headed “Other Information — Qualification of experts” of this Appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of our Group as a whole;
- (e) save in connection with the Underwriting Agreements, none of the parties listed in the paragraph headed “Other Information — Qualification of experts” of this Appendix: (i) is interested legally or beneficially in any of our Shares or any shares in any of our subsidiaries; or (ii) has any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Group; and
- (f) none of our Directors or their respective close associates (as defined under the GEM Listing Rules) or any Shareholders of our Company (who to the knowledge of our Directors owns more than 5% of our issued share capital) has any interest in our five largest suppliers or our five largest customers.

D. SHARE INCENTIVE SCHEMES

1. RSU Scheme

The following is a summary of the principal terms of the RSU Scheme approved and adopted by the then shareholders of our Company on March 21, 2014 and as amended on August 22, 2014. The RSU Scheme is not subject to the provisions of Chapter 23 of the GEM Listing Rules as the RSU Scheme does not involve the grant of options by our Company to subscribe for new Shares.

(a) Purposes of the RSU Scheme

The purpose of the RSU Scheme is to incentivize Directors, senior management, employees and any person who provides or has provided consultancy or other advisory services to our Group for their contribution to our Group, to attract, motivate and retain skilled and experienced personnel to strive for the future development and expansion of our Group by providing them with the opportunity to own equity interests in our Company.

(b) RSUs

A RSU gives a participant in the RSU Scheme (the “RSU Participant”) a conditional right when the RSU vests to obtain either Shares or an equivalent value in cash with reference to the market value of the Shares on or about the date of exercise of the RSUs, less any tax, stamp duty and other charges applicable, as determined by our Board in its absolute discretion. Each RSU represents one underlying Share. A RSU may include, if so specified by our Board in its entire discretion, cash and non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares.

(c) *Participants in the RSU Scheme*

Persons eligible to receive RSUs under the RSU Scheme are existing employees, directors (whether executive or non-executive, but excluding independent non-executive directors) or officers of our Company or any of our subsidiaries (including Linekong Entertainment) or any person who provides or has provided consultancy or other advisory services to our Group (“RSU Eligible Persons”). Our Board selects the RSU Eligible Persons to receive RSUs under the RSU Scheme at its discretion.

(d) *Term of the RSU Scheme*

The RSU Scheme will be valid and effective for a period of ten (10) years, commencing from the date of the first grant of the RSUs, being March 21, 2014 (unless it is terminated earlier in accordance with its terms) (the “RSU Scheme Period”).

(e) *Grant and acceptance*

(i) *Making an offer*

An offer to grant a RSU will be made to a RSU Eligible Person selected by our Board (“RSU Selected Person”) by a letter, in such form as our Board may determine (“RSU Grant Letter”). The RSU Grant Letter will specify the manner of acceptance of the RSU, the number of RSUs granted and the number of underlying Shares represented by the RSUs or the percentage of the issued share capital of our Company represented by the RSUs granted, the vesting criteria and conditions (if any), the vesting schedule (if any), the exercise price of the RSUs (where applicable) and such other details as our Board considers necessary, and will require the RSU Selected Person to undertake to hold the RSU on the terms on which it is granted and to be bound by the provisions of the RSU Scheme.

(ii) *Acceptance of an offer*

A RSU Selected Person may accept an offer of the grant of RSUs in such manner as set out in the RSU Grant Letter. Once accepted, the RSUs are deemed granted from the date of the RSU Grant Letter (“RSU Grant Date”).

(iii) *Restrictions on grants*

Our Board may not grant any RSUs to any RSU Selected Persons in any of the following circumstances:

- (a) the securities laws or regulations require that a prospectus or other offering documents be issued in respect of the grant of the RSUs or in respect of the RSU Scheme, unless our Board determines otherwise;
- (b) where granting the RSUs would result in a breach by our Company, our subsidiaries (including Linekong Entertainment) or any of their directors of any applicable securities laws, rules or regulations; or
- (c) where such grant of any RSUs would result in a breach of the limits of the RSU Scheme (as set out in paragraph (f) below).

(f) *Maximum number of Shares pursuant to RSUs*

The maximum number of RSUs that may be granted under the RSU Scheme in aggregate (excluding RSUs that have lapsed or been cancelled in accordance with the rules of the RSU Scheme) shall be such number of Shares held by the RSU Trustee (as defined in paragraph (k) below) for the purpose of the RSU Scheme from time to time.

(g) *Rights attached to RSUs*

A RSU Participant does not have any contingent interest in any Shares underlying the RSUs unless and until such Shares are actually transferred to the RSU Participant. Further, a RSU Participant may not exercise voting rights in respect of the Shares underlying the RSUs prior to their exercise and, unless otherwise specified by our Board in its entire discretion in the RSU Grant Letter to the RSU Participant, nor do they have any rights to any cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions from any Shares underlying the RSUs.

(h) *Rights attached to Shares*

Any Shares transferred to a RSU Participant in respect of any RSUs will be subject to all the provisions of the Articles and will rank *pari passu* with the fully paid Shares in issue on the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members, and accordingly will entitle the holder to participate in all dividends or other distributions paid or made on or after the date of the transfer or, if that date falls on a day when the register of members of our Company is closed, the first day of the reopening of the register of members.

(i) *Assignment of RSUs*

The RSUs granted pursuant to the RSU Scheme are personal to each RSU Participant, and are not assignable. RSU Participants are prohibited from selling, transferring, assigning, charging, mortgaging, encumbering, hedging or creating any interest in favor of any other person over or in relation to any property held by the RSU Trustee (as defined in paragraph (k) below) on trust for the RSU Participants, the RSUs, or any interest or benefits therein.

(j) *Vesting of RSUs*

Our Board can determine the vesting criteria, conditions and the time schedule when the RSUs will vest and such criteria, conditions and time schedule shall be stated in the RSU Grant Letter.

Within a reasonable time after the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, our Board will send a vesting notice (“Vesting Notice”) to each of the relevant RSU Participants. The Vesting Notice will confirm the extent to which the vesting criteria, conditions and time schedule have been reached, fulfilled, satisfied or waived, and the number of Shares (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) involved.

(k) *Appointment of the RSU Trustee*

Our Company has appointed a trustee (the “RSU Trustee”) to assist with the administration and vesting of RSUs granted pursuant to the RSU Scheme. Our Company may (i) allot and issue Shares to the RSU Trustee to be held by the RSU Trustee and which will be used to satisfy the RSUs upon exercise and/or (ii) direct and procure the RSU Trustee to receive existing Shares from any Shareholder or purchase existing Shares (either on-market or off-market) to satisfy the RSUs upon exercise. Our Company shall procure that sufficient funds are provided to the RSU Trustee by whatever means as our Board may in its absolute discretion determine to enable the RSU Trustee to satisfy its obligations in connection with the administration of the RSU Scheme. All the Shares underlying the RSUs granted and to be granted under the RSU Scheme were allotted and issued to Premier Selection Limited, which, as at the date of this prospectus, holds (as the nominee) 42,161,541 Shares underlying the RSUs granted and to be granted under the RSU Scheme for the benefit of eligible participants pursuant to the RSU Scheme.

(l) Exercise of RSUs

RSUs held by a RSU Participant that are vested as evidenced by the Vesting Notice may be exercised (in whole or in part) by the RSU Participant serving an exercise notice in writing on the RSU Trustee and copied to our Company. Any exercise of RSUs must be in respect of a board lot of 500 Shares each or an integral multiple thereof (except where the number of RSUs which remains unexercised is less than one board lot). Upon receipt of an exercise notice, our Board may decide at its absolute discretion to:

- (a) direct and procure the RSU Trustee to, within a reasonable time, transfer the Shares underlying the RSUs exercised (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) to the RSU Participant which our Company has allotted and issued to the RSU Trustee as fully paid up Shares or which the RSU Trustee has either acquired by purchasing existing Shares or by receiving existing Shares from any Shareholder, subject to the RSU Participant paying the exercise price (where applicable) and all tax, stamp duty, levies and charges applicable to such transfer to the RSU Trustee or as the RSU Trustee directs; or
- (b) pay, or direct and procure the RSU Trustee to, within a reasonable time, pay, to the RSU Participant in cash an amount which represents the value of the Shares underlying the RSUs exercised on or about the date of exercise (and, if applicable, the cash or non-cash income, dividends or distributions and/or the sale proceeds of non-cash and non-scrip distributions in respect of those Shares) less any exercise price (where applicable) and after deduction or withholding of any tax, levies, stamp duty and other charges applicable to the entitlement of the RSU Participant and the sale of any Shares to fund such payment and in relation thereto.

(m) Rights on a takeover

If a general offer to acquire the Shares (whether by takeover offer, merger, or otherwise in a like manner) is made to all of our Shareholders (or Shareholders other than the offeror and/or any person controlled by the offeror and/or any person acting in concert with the offeror) and the general offer to acquire the Shares is approved and the offer becomes or is declared unconditional in all respects, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(n) Rights on a compromise or arrangement

If a compromise or arrangement between our Company and our Shareholders or creditors is proposed in connection with a scheme for the reconstruction of our Company or its amalgamation with any other company or companies and a notice is given by our Company to our Shareholders to convene a general meeting to consider and if thought fit approve such compromise or arrangement and such Shareholders' approval is obtained, a RSU Participant's RSUs will vest immediately, even if the vesting period has not yet commenced.

(o) Rights on voluntary winding-up

If an effective resolution is passed during the RSU Scheme Period for the voluntary winding-up of the Company (other than for the purposes of a reconstruction, amalgamation or scheme of arrangement), all outstanding RSUs shall be treated as having vested immediately. No Shares will be transferred, and no cash alternative will be paid, to the RSU Participant, but the RSU Participant will be entitled to receive out of the assets available in liquidation on an equal basis with our Shareholders such sum as they would have received in respect of the RSUs.

(p) Lapse of RSUs

(i) Full lapse of RSU

Any unvested RSU will automatically lapse immediately where:

- (a) such RSU Participant's employment or service terminates for any reason, except (i) the employment or service is terminated by reason of death, retirement or disability, (ii) where the employment is terminated involuntarily without Cause (as defined in sub-paragraph (p)(iii)(a) below), (iii) where the company employing the RSU Participant ceases to be one of our subsidiaries (including Linekong Entertainment) or (iv) any other incident occurs as the Board may at its discretion specify; or
- (b) the RSU Participant makes any attempt or takes any action to sell, transfer, assign, charge, mortgage, encumber, hedge or create any interest in favor of any other person over or in relation to any RSUs or any interests or benefits pursuant to the RSUs.

(ii) Partial Lapse of RSU

A RSU Participant's unvested RSU will lapse on a proportional basis based on the proportion that:

- (a) the time between the RSU Grant Date and the occurrence of the following relevant event bears to
- (b) the entire vesting period set out in the RSU Participant's RSU Grant Letter if:
 - (i) the RSU Participant's employment or service is terminated because of the RSU Participant's death, retirement or disability;
 - (ii) the RSU Participant's employment or service is terminated involuntarily without Cause (as defined in sub-paragraph (p)(iii)(a) below);
 - (iii) the company with which the RSU Participant is employed ceases to be one of our subsidiaries (including Linekong Entertainment); or
 - (iv) any other incident occurs as our Board may at its discretion specify,

provided that the performance criteria set out in the RSU Grant Letter have been fully satisfied and fulfilled, if capable of being satisfied or fulfilled, with reference to the date of occurrence of that event.

(iii) If at any time, a RSU Participant:

- (a) ceases to be an employee as a result of termination of his employment with our Group for Cause. For the purpose of this paragraph (p), "Cause" means the RSU Participant is in breach of his contract of employment with or any other obligation to the Group;
- (b) fails, during the course of his employment, to devote the whole of his time and attention to the business of our Group or to use his best endeavours to develop the business and interests of our Group;
- (c) is concerned during the course of his employment with our Group (without the prior written consent of our Company) with any (competitive or other) business other than that of our Group;
- (d) is in breach of his contract of employment with or any other obligation to our Group; and/or

- (e) our Group terminating his contract or deeming his contract to have terminated for serious or gross misconduct or for behavior that, in the sole opinion of our Company, causes harm or risks to our Group,

then all vested and unvested RSUs shall automatically lapse and such RSU Participant shall have no claim whatsoever in respect of the RSUs or the underlying Shares.

(q) Cancellation of RSUs

Our Board may at its discretion cancel any RSU that has not vested or lapsed, provided that:

- (i) our Company or our subsidiaries (including Linekong Entertainment) pay to the RSU Participant an amount equal to the fair value of the RSU at the date of the cancellation as determined by the Board, after consultation with our auditors or an independent financial adviser appointed by our Board;
- (ii) our Company or our relevant subsidiary provides to the RSU Participant a replacement award (or a grant or option under any other restricted share unit scheme, share option scheme or share-related incentive scheme) of equivalent value to the RSUs to be cancelled; or
- (iii) our Board makes any arrangement as the RSU Participant may agree in order to compensate him/her for the cancellation of the RSUs.

(r) Reorganization of capital structure

In the event of any capitalization issue, rights issue, consolidation, sub-division or reduction of the share capital of the Company, our Board may, but is not obliged to, make such equitable adjustments, designed to protect the RSU Participants' interests, to the number of Shares underlying the outstanding RSUs or to the amount of the equivalent value, as it may deem appropriate at its absolute discretion.

(s) Amendment of the RSU Scheme

Save as provided in the RSU Scheme, our Board may alter any of the terms of the RSU Scheme at any time. Written notice of any amendment to the RSU Scheme shall be given to all RSU Participants.

Any alterations to the terms and conditions of the RSU Scheme which are of a material nature or any changes to the terms of the RSUs granted which shall operate to affect materially adversely any subsisting rights of any RSU Participant shall be subject to the consent of the RSU Participants amounting to three-fourths in nominal value of all underlying RSUs so held by the RSU Participants on the date of the relevant resolution passed by our Board in approving the amendment of the RSU Scheme or the terms of the RSUs granted (as the case may be), except where the alterations or changes take effect automatically under the existing terms of the RSU Scheme. Our Board's determination as to whether any proposed alteration to the terms and conditions of the RSU Scheme or the terms of the RSUs granted (as the case may be) is material shall be conclusive.

(t) Termination of the RSU Scheme

Our Board may terminate the RSU Scheme at any time before the expiry of the RSU Scheme Period. The provisions of the RSU Scheme shall remain in full force and effect in respect of RSUs which are granted pursuant to the rules of the RSU Scheme prior to the termination of the operation of the RSU Scheme. Our Company or our relevant subsidiary shall notify the RSU Trustee and all RSU Participants of such termination and of how any property held by the RSU Trustee on trust for the RSU Participants (including, but not limited to, any Shares held) and the outstanding RSUs shall be dealt with.

(u) Administration of the RSU Scheme

Our Board has the power to administer the RSU Scheme, including the power to construe and interpret the rules of the RSU Scheme and the terms of the RSUs granted under it. Our Board may delegate the authority to administer the RSU Scheme to a committee of our Board. Our Board may also appoint one or more independent third party contractors (including the RSU Trustee) to assist in the administration of the RSU Scheme and delegate such powers and/or functions relating to the administration of the RSU Scheme as our Board thinks fit.

Our Board's determinations under the RSU Scheme need not be uniform and may be made by it selectively with respect to persons who are granted, or are eligible to be granted, RSUs under it. If a Director is a RSU Participant he may, notwithstanding his own interest and subject to our Articles, vote on any Board resolution concerning the RSU Scheme (other than in respect of his own participation in it), and may retain RSUs under it.

Each RSU Participant waives any right to contest, amongst other things, the value and number of RSUs or Shares or equivalent value of cash underlying the RSUs or Shares and our Board's administration of the RSU Scheme.

(v) General

An application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, new Shares underlying the RSUs that have been granted pursuant to the RSU Scheme.

(w) Outstanding RSUs granted

On March 21, 2014, 31,371,494 RSUs have been granted under the RSU Scheme (representing approximately 10.60% of the issued share capital of the Company immediately prior to the Global Offering and 8.48% of the enlarged issued share capital of the Company immediately after completion of the Global Offering). As a result of four grantees of the RSUs leaving employment, their RSUs involving 95,422 Shares have lapsed. Therefore, as at the date of this prospectus, the outstanding RSUs granted under the RSU Scheme involve 31,276,072 Shares, representing approximately 8.46% of the Shares in issue on the Listing Date, had been granted to 85 RSU Participants pursuant to the RSU Scheme, of which three (3) of the RSU Participants are Directors and six (6) of the RSU Participants are members of our senior management.

Details of the RSUs granted under the RSU Scheme as at the date of this prospectus and details of the vesting period are set out in the paragraph headed "Details of the RSUs granted and outstanding under the RSU Scheme" below.

We have applied for, and have been granted an exemption from the SFC from strict compliance with the disclosure requirements under paragraph 10(d) of Part I of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance in connection with the information of the RSUs granted under the RSU Scheme. For further details, please refer to the section headed "Waivers from Compliance with the GEM Listing Rules and Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance — Exemption from Compliance with the Companies (Winding Up and Miscellaneous Provisions) Ordinance in relation to the RSU Scheme" in this prospectus.

2. Details of the RSUs granted and outstanding under the RSU Scheme

<u>Name of grantees of RSU</u>	<u>Position held with our Group</u>	<u>Address</u>	<u>Number of Shares represented by RSUs</u>	<u>Approximate percentage of shareholding immediately following the completion of the Global Offering (%)</u>
<i>Directors of our Company</i>				
Wang Feng (王峰)	Chairman of the Board, Chief Executive Officer and Executive Director	Room 1502, Unit C, Building 305, Hua Ding Shi Jia, Wang Jing, Chaoyang District, Beijing, PRC	8,432,308 ⁽²⁾	2.28%
Liao Mingxiang (廖明香)	President and Executive Director	Room 1001, Building 7 East Zone I, Tiantongyuan, Changping District, Beijing, PRC	2,810,769 ⁽²⁾	0.76%
Mao Zhihai (毛智海)	Chief Financial Officer, Executive Director and Joint Company Secretary	No. 801, Unit 2, Courtyard 134, Building 1, Shifoyingdongli, Chaoyang District, Beijing, PRC	2,810,769 ⁽³⁾	0.76%
<i>Senior management members of our Group</i>				
Mei Song (梅嵩)	Vice President	No. 20062601, Talent Service Centre, No.B29, Suzhou Street, Haidian District, Beijing	4,216,154 ⁽²⁾	1.14%
Zhao Jun (趙軍)	Vice President	No. 14, Chaoyangmen South Road, FESCO, Chaoyang District, Beijing	2,810,769 ⁽²⁾	0.76%
Chen Min (陳敏)	Co-Chief Technology Officer	No. 201 Building, Tielueryuan, Fancheng District, Xiangfan City, Hubei Province	1,316,173 ⁽²⁾	0.36%

<u>Name of grantees of RSU</u>	<u>Position held with our Group</u>	<u>Address</u>	<u>Number of Shares represented by RSUs</u>	<u>Approximate percentage of shareholding immediately following the completion of the Global Offering (%)</u>
Feng Haili (馮海利)	Vice President	No. 107, Baojialu Village, Wang'an Town, Laiyuan County, Baoding City, Hebei Province	1,316,173 ⁽²⁾	0.36%
Qi Yunxiao (齊雲霄)	Vice President	Room 11, No. 16 Street, Yuhua Road, Gaoyang Town, Gaoyang County, Baoding City, Hebei Province	1,316,173 ⁽²⁾	0.36%
Zhang Hongliang (張宏亮) . . .	Co-Chief Technology Officer	Room 103, No. 1, Zhonghanggong Building, Youyi Road, Bencheng Town, Luannan County, Tangshan City, Hebei Province	658,086 ⁽²⁾	0.18%
Nine (9) Directors and senior management members		Sub-total	25,687,374	6.95%
76 other employees			<u>5,588,698⁽⁴⁾</u>	<u>1.51%</u>
GRAND TOTAL OF ALL GRANTEES			<u><u>31,276,072</u></u>	<u><u>8.46%</u></u>

Notes:

- (1) All RSUs granted under the RSU Scheme as referred to in the table above were granted on March 21, 2014 and the grantees of the RSUs granted are not required to pay for the grant of any RSU under the RSU Scheme or for the exercise of the RSUs. All RSUs granted under the RSU Scheme must be exercised within ten years of the date of grant or they will lapse.
- (2) These RSUs shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing) vest as follows:
 - (i) as to 20% of the RSUs on the date ending 1 month after the Listing Date;
 - (ii) as to 35% of the RSUs on the date ending 12 months after the date of grant of the RSUs;
 - (iii) as to 10% of the RSUs on the date ending 18 months after the date of grant of the RSUs;
 - (iv) as to 10% of the RSUs on the date ending 24 months after the date of grant of the RSUs;
 - (v) as to 7.5% of the RSUs on the date ending 30 months after the date of grant of the RSUs;

- (vi) as to 7.5% of the RSUs on the date ending 36 months after the date of grant of the RSUs;
 - (vii) as to 5% of the RSUs on the date ending 42 months after the date of grant of the RSUs; and
 - (viii) as to the remaining 5% of the RSUs on the date ending 48 months after the date of grant of the RSUs,
- provided that if Listing does not happen by the first anniversary of the date of grant of the RSUs (that is by March 21, 2015), the vesting schedule shall be extended so that the first vesting shall take effect on the Listing Date and the remaining vestings shall be extended correspondingly.
- (3) These RSUs shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing) vest as follows:
- (i) as to one-third (approximately 33.33%) of the RSUs on January 10, 2015; and
 - (ii) as to the remaining two-thirds (approximately 66.67%) of the RSUs, on a quarterly basis starting from the first month after January 10, 2015 in 8 quarterly equal lots (each lot representing approximately one-twelfth of the RSUs, representing approximately 8.33%).
- (4) A total of 987,129 RSUs granted to two (2) of the 76 other employees under the RSU Scheme shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing) vest as follows:
- (i) as to 20% of the RSUs on the date ending 1 month after the Listing Date;
 - (ii) as to 35% of the RSUs on the date ending 12 months after the date of grant of the RSUs;
 - (iii) as to 10% of the RSUs on the date ending 18 months after the date of grant of the RSUs;
 - (iv) as to 10% of the RSUs on the date ending 24 months after the date of grant of the RSUs;
 - (v) as to 7.5% of the RSUs on the date ending 30 months after the date of grant of the RSUs;
 - (vi) as to 7.5% of the RSUs on the date ending 36 months after the date of grant of the RSUs;
 - (vii) as to 5% of the RSUs on the date ending 42 months after the date of grant of the RSUs; and
 - (viii) as to the remaining 5% of the RSUs on the date ending 48 months after the date of grant of the RSUs.

In addition, a total of 910,353 RSUs granted to four (4) of the 76 other employees under the RSU Scheme shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing) vest as follows:

- (i) as to 10% of the RSUs on the date ending 1 month after the Listing Date;
- (ii) as to 20% of the RSUs on the date ending 12 months after the date of grant of the RSUs;
- (iii) as to 12.5% of the RSUs on the date ending 18 months after the date of grant of the RSUs;
- (iv) as to 12.5% of the RSUs on the date ending 24 months after the date of grant of the RSUs;
- (v) as to 12.5% of the RSUs on the date ending 30 months after the date of grant of the RSUs;
- (vi) as to 12.5% of the RSUs on the date ending 36 months after the date of grant of the RSUs;
- (vii) as to 10% of the RSUs on the date ending 42 months after the date of grant of the RSUs; and
- (viii) as to the remaining 10% of the RSUs on the date ending 48 months after the date of grant of the RSUs.

The remaining 3,691,216 granted to the remaining 70 of the 76 other employees under the RSU Scheme shall (unless our Company shall otherwise determine and so notify the RSU Participant in writing) vest as follows:

- (i) as to 25% of the RSUs on the date ending 12 months after the date of grant of the RSUs; and
- (ii) as to the remaining 75% of the RSUs, on a semi-annual basis starting from the 18th month after the date of grant of the RSUs in six (6) equal lots on a half-yearly basis (i.e. 12.5% of the RSUs to be vested on each of the date ending 18, 24, 30, 36, 42 and 48 months after the date of grant of the RSUs).

If Listing does not happen by the first anniversary of the date of grant of the RSUs (that is by March 21, 2015), the vesting schedule with respect to the RSUs granted to the 76 other employees shall be extended so that the first vesting shall take effect on the Listing Date and the remaining vestings shall be extended correspondingly.

As at the date of this prospectus, no single grantee among the 76 other employees who have been granted RSUs under the RSU Scheme is entitled to a total number of RSUs exceeding the total entitlement of any single director or senior management member of our Group whom has been disclosed on a named individual basis in the preceding table.

3. Share Option Scheme

The following is a summary of the principal terms of the Share Option Scheme, which is in accordance with Chapter 23 of the GEM Listing Rules, conditionally approved and adopted by our Shareholders on November 20, 2014 and its implementation is conditional on the Listing.

(a) Purpose

The purpose of the Share Option Scheme is to incentivize and reward the Eligible Persons for their contribution to our Group and to align their interests with that of our Company so as to encourage them to work towards enhancing the value of our Company.

(b) Who may participate

The Board (including any committee or delegate of the Board appointed by the Board to perform any of its functions pursuant to the rules of the Share Option Scheme) may, at its absolute discretion, offer to grant an option to subscribe for such number of Shares as the Board may determine to an employee (whether full time or part-time) or a director of a member of our Group or associated companies of our Company or any person who provides or has provided consultancy or other advisory services to our Group (“Eligible Persons”).

(c) Maximum number of Shares in respect of which options may be granted

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes (the “Other Schemes”) of our Company must not in aggregate exceed 10% of the total number of Shares in issue as at the Listing Date (the “Scheme Mandate Limit”). Options lapsed in accordance with the terms of the Share Option Scheme and any Other Scheme of our Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The Board may, with the approval of the Shareholders in general meeting, refresh the Scheme Mandate Limit provided that the total number of Shares which may be issued upon the exercise of all options to be granted under the Share Option Scheme and any Other Schemes of our Company under the Scheme Mandate Limit as refreshed must not exceed 10% of the Shares in issue as at the date of on which the Shareholders approve the refreshment of the Scheme Mandate Limit. Options previously granted under the Share Option Scheme and any Other Schemes of our Company (including those outstanding, cancelled, lapsed in accordance with the terms of the relevant scheme, or exercised options) will not be counted for the purpose of calculating the Scheme Mandate Limit as “refreshed”. The Board may, with the approval of the Shareholders in general meeting, grant options to any Eligible Person specifically identified by them which would cause the Scheme Mandate Limit to be exceeded. Our Company shall send to the Shareholders a circular containing the information required under the GEM Listing Rules for the purpose of seeking the approval of the Shareholders.

At any time, the maximum number of Shares which may be issued upon exercise of all outstanding options granted and not yet exercised under the Share Option Scheme and any Other Schemes of our Company to Eligible Persons must not exceed 30% of the total number of Shares in issue from time to time.

The maximum number of Shares in respect of which options may be granted shall be adjusted, in such manner as the auditors of our Company or independent financial advisor appointed by the Board shall certify in writing to the Board to be fair and reasonable, in the event of any alteration in the capital structure of our Company whether by way of capitalization of profits or reserves, rights issue, consolidation or subdivision of shares, or reduction of the share capital of our Company provided that no such adjustment shall be made in the event of an issue of Shares as consideration in respect of a transaction.

(d) Maximum entitlement of each individual

No options shall be granted to any Eligible Person under the Share Option Scheme and any Other Schemes of our Company which, if exercised, would result in such Eligible Person becoming entitled to subscribe for such number of Shares as, when aggregated with the total number of Shares already issued or to be issued to him under all options granted to him (including exercised, cancelled and outstanding Options) in the 12-month period up to and including the date of offer of such options, exceeds 1% of the Shares in issue at such date.

Any further grant of options to an Eligible Person in excess of this 1% limit shall be subject to the approval of the Shareholders in general meeting with such Eligible Person and his close associates (or if such Eligible Person is a connected person of our Company, his associates) abstaining from voting. Our Company must send a circular to the Shareholders disclosing the identity of the Eligible Person in question, the number and terms of the options to be granted (and options previously granted to such Eligible Person) and such other information required under the GEM Listing Rules.

The number and terms (including the exercise price) of the options to be granted to such Eligible Person must be fixed before the Shareholders' approval and the date of the Board meeting approving such further grant shall be taken as the date of grant for the purpose of determining the exercise price of the options.

(e) Grant of options to connected persons

Each grant of options to a Director (including an independent non-executive Director) of any member of our Group or associated company of our Company, chief executive or substantial shareholder of our Company, or any of their respective associates, under the Share Option Scheme must be approved by the independent non-executive Directors (excluding any independent non-executive Director who is the proposed grantee of the options).

Where any grant of options to a substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, would result in the Shares issued and to be issued upon exercise of all options already granted and to be granted under the Share Option Scheme (including options exercised, cancelled and outstanding) to such person in the 12 month period up to and including the date of such grant:

- (i) representing in aggregate over 0.1% of the Shares in issue; and
- (ii) having an aggregate value, based on the closing price of the securities at the date of each grant, in excess of HK\$5 million,

such further grant of options by the Board must be approved by the Shareholders in general meeting. Such grantee, his associates and any Shareholder who is a core connected person of our Company must

abstain from voting on the resolution to approve such further grant of options, except that such person may vote against such resolution subject to the requirements of the GEM Listing Rules. Our Company shall send to the Shareholders a circular containing the information required under the GEM Listing Rules for the purpose of seeking the approval of the Shareholders.

(f) Acceptance of an offer of options

An offer of options shall be open for acceptance for such period (not exceeding 30 days inclusive of, and from, the date of offer) as the Board may determine and notify to the Eligible Person concerned provided that no such offer shall be open for acceptance after the expiry of the duration of the Share Option Scheme. An offer of options not accepted within this period shall lapse. An amount of HK\$1.00 is payable upon acceptance of the grant of an option and such payment shall not be refundable and shall not be deemed to be a part payment of the exercise price.

(g) Exercise price

Subject to any adjustment made as described in sub-paragraph (u) below, the exercise price shall be such price as determined by the Board and notified to an option-holder and which shall not be less than the higher of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of offer of the option;
- (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer of the option; and
- (iii) the nominal value of the Shares.

(h) Duration of Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of ten years commencing on the Listing Date, after which period no further options will be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Share Option Scheme, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

(i) Time of vesting and exercise of options

Any option shall be vested on an option-holder immediately upon his acceptance of the offer of options provided that if any vesting schedule and/or conditions are specified in the offer of the option, such option shall only be vested on an option-holder according to such vesting schedule and/or upon the fulfillment of the vesting conditions (as the case may be). Any vested option which has not lapsed and which conditions have been satisfied or waived by the Board in its sole discretion may, unless the Board determines otherwise in its absolute discretion, be exercised at any time from the next business day after the offer of options has been accepted. Any option which remain unexercised shall lapse upon the expiry of the option period, which period shall be determined by the Board and shall not exceed ten years from the offer date of the option (the "Option Period").

An option shall be subject to such terms and conditions (if any) as may be determined by the Board and specified in the offer of the option, including any vesting schedule and/or conditions, any minimum period for which any option must be held before it can be exercised and/or any performance target which need to be achieved by an option-holder before the option can be exercised. Such terms and conditions

determined by the Board must not be contrary to the purpose of the Share Option Scheme and must be consistent with such guidelines (if any) as may be approved from time to time by the Shareholders. If an option-holder is transferred to work in the PRC or another country and still continues to hold a salaried office or employment under a contract with a member of our Group or associated companies of our Company, and as a result of that transfer, he either (i) suffers a tax disadvantage in relation to his options (this being shown to the satisfaction of the Board); or (ii) becomes subject to restrictions on his ability to exercise his Options or to hold or deal in the Shares or the proceeds of the sale of the Shares acquired on exercise because of the security laws or exchange control laws of the PRC or the country to which he is transferred, then the Board may allow him to exercise his options, vested or unvested, during the period starting three months before and ending three months after the transfer takes place.

No option may be exercised in circumstances where such exercise would, in the opinion of the Board, be in breach of a statutory or regulatory requirement.

(j) Restriction on the time of grant of options

A grant of options may not be made after inside information has come to our knowledge until such inside information has been announced as required under the GEM Listing Rules. In particular, no option may be granted during the period commencing one month immediately preceding the earlier of:

- (i) the date of the Board meeting (as such date is first notified to the Stock Exchange in accordance with the GEM Listing Rules) for the approval of our Company's results for any year, half-year, quarter-year or other interim period (whether or not required under the GEM Listing Rules); and
- (ii) the deadline for our Company to publish an announcement of the results for any year, half-year or quarter-year period under the GEM Listing Rules, or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement. The period during which no option may be granted will cover any period of delay in the publication of a results announcement.

(k) Ranking of the Shares

No dividends (including distributions made upon the liquidation of our Company) will be payable and no voting rights will be exercisable in relation to an option that has not been exercised. Shares allotted and issued on the exercise of an option will rank equally in all respects with the Shares in issue on the date of allotment. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of allotment.

(l) Restrictions on transfer

Except for the transmission of an option on the death of an option-holder to his personal representatives, neither the option nor any rights in respect of it may be transferred, assigned or otherwise disposed of by any option-holder to any other person or entity. If an option-holder transfers, assigns or disposes of any such option or rights, whether voluntarily or involuntarily, then the relevant option will immediately lapse.

(m) Rights on voluntary resignation

If an option-holder ceases to be an Eligible Person by reason of his voluntary resignation (other than in circumstances where he is constructively dismissed), any outstanding offer of options shall continue to be open for acceptance for such period as determined by the Board at its absolute discretion

and notified to such Eligible Person, and all options (to the extent vested but not already exercised) will continue to be exercisable for such period as the Board may determine at its absolute discretion and notify to such Eligible Person on the date of cessation of employment of such Eligible Person.

(n) Rights on termination of employment

If an option-holder ceases to be an Eligible Person by reason of (i) his employer terminating his contract of employment in accordance with its terms or any right conferred on his employer by law, or (ii) his contract of employment, being a contract for a fixed term, expiring and not being renewed, or (iii) his employer terminating his contract for serious or gross misconduct or (iv) our Group terminating his contract or deeming his contract to have terminated for serious or gross misconduct or for behavior that, in the sole opinion of our Company, causes harm or risks to our Group, then any outstanding offer of an option and all options, vested or unvested, will lapse on the date the option-holder ceases to be an Eligible Person.

(o) Rights on death, disability, retirement and transfer

If an option-holder ceases to be an Eligible Person by reason of:

- (i) his death; or
- (ii) his serious illness or injury which in the opinion of the Board renders the option-holder concerned unfit to perform the duties of his employment and which in the normal course would render the option-holder unfit to continue performing the duties under his contract of employment for the following 12 months provided such illness or injury is not self-inflicted; or
- (iii) his retirement in accordance with the terms of an option-holder's contract of employment; or
- (iv) his early retirement by agreement with the option-holder's employer; or
- (v) his employer terminating his contract of employment by reason of redundancy; or
- (vi) his employer ceasing to be a member of our Group or an associated company of our Company or under the control of our Company; or
- (vii) a transfer of the business, or the part of the business, in which the option-holder works to a person who is neither under the control of our Company nor a member of our Group or associated companies of our Company; or
- (viii) if the Board determines in its absolute discretion that circumstances exist which mean that it is appropriate and consistent with the purpose of the Share Option Scheme to treat an option-holder whose options would otherwise lapse so that such options do not lapse but continue to subsist in accordance with (and subject to) the provisions of the Share Option Scheme,

then, any outstanding offer of an option which has not been accepted and any unvested option will lapse and the option-holder or his personal representatives (if appropriate) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of cessation of employment. Any option not exercised prior to the expiry of this period shall lapse.

If the Board determines that an option-holder who ceases to be an Eligible Person in circumstances such that his options continue to subsist in accordance with (viii) above:

- (a) is guilty of any misconduct which would have justified the termination of his contract of employment for cause but which does not become known to our Company until after he has ceased employment with any member of our Group or associated companies; or

- (b) is in breach of any material term of contract of employment (or other contract or agreement related to his contract of employment), without limitation, any confidentiality agreement or agreement containing non-competition or non-solicitation restrictions between him and any member of our Group or associated companies; or
- (c) has disclosed trade secrets or confidential information of any member of our Group or associated companies; or
- (d) has entered into competition with any member of our Group or associated companies or breached any non-solicitation provisions in his contract of employment,

then it may, in its absolute discretion, determine that any unexercised options, vested or not vested, held by the option-holder shall immediately lapse upon the Board resolving to make such determination (whether or not the option-holder has been notified of the determination).

(p) Rights on cessation to be a director

In the event that any director ceases to be a director of any member of our Group or associated companies, our Company shall, as soon as practicable thereafter, give notice to the relevant option-holder who as a result ceases to be an Eligible Person. Any outstanding offer of an option which has not been accepted and any unvested option will lapse on the date the option-holder ceases to be an Eligible Person. The option-holder (or his personal representative) may exercise all his options (to the extent vested but not already exercised) within a period of three months of the date of the notification by the Board. Any option not exercised prior to the expiry of this period shall lapse.

(q) Rights on a general offer

In as a result of any general offer made to the holders of Shares, the Board becomes aware that the right to cast more than 50% of the votes which may ordinarily be cast on a poll at a general meeting of our Company has or will become vested in the offeror, any company controlled by the offeror and any person associated with or acting in concert with the offeror (a “Change of Control”), the Board will notify every option-holder of this within 14 days of becoming so aware or as soon as practicable after any legal or regulatory restriction on such disclosure no longer applies. Each option-holder will be entitled to exercise his options (to the extent vested but not already exercised) during the period of one month starting on the date of the Board’s notification to the option-holders. All options, vested or unvested, not exercised before the end of such period will lapse.

(r) Rights on company reconstructions

In the event of a compromise or arrangement, our Company shall give notice to all option-holders on the same date as it gives notice of the meeting to the Shareholders or creditors to consider such a compromise or arrangement and each option-holder (or his personal representative) may at any time thereafter, but before such time as shall be notified by our Company, exercise all or any of his options (to the extent vested but not already exercised), and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and in any event no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(s) Rights on winding up

In the event a notice is given by our Company to the Shareholders to convene a general meeting for the purpose of considering and, if thought fit, approving a resolution to voluntarily wind up our

Company, our Company shall on the same date as or soon after we dispatch such notice to the Shareholders give notice thereof to all option-holders and each option-holder shall be entitled to exercise all or any of his options (to the extent vested but not already exercised) at any time no later than seven days prior to the proposed general meeting of our Company, and subject to our Company receiving the exercise notice and the exercise price, our Company shall as soon as possible and, in any event, no later than the business day immediately prior to the date of the proposed general meeting, allot, issue and register under the name of the option-holder such number of fully paid Shares which fall to be issued on exercise of such options. Any options, vested or not unvested, not so exercised will lapse.

(t) Lapse of option

An option will lapse on the earlier of:

- (i) the expiry of the option period as determined by the Board;
- (ii) the date on which an option-holder is in breach of sub-paragraph (l); or
- (iii) the expiry of the time provided for in the applicable rule where any of the circumstances provided in sub-paragraphs (m) to (s) above apply.

(u) Effect of alteration to share capital

In the event of any alteration in the capital structure of the Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves, further rights issues of Shares, consolidation or subdivision of shares, or reduction of the share capital of our Company in accordance with applicable laws and regulatory requirements (other than an issue of any share capital as consideration in respect of a transaction), such corresponding adjustments (if any) shall be made to the number of Shares, the subject matter of the option (insofar as it is unexercised) and/or the price at which the options are exercisable, as the auditors of our Company or an independent financial advisor appointed by the Board shall certify in writing to the Board to be in their opinion fair and reasonable. Notice of any adjustments shall be given by our Company to an option-holder.

Any such adjustments shall be made on the basis that an option-holder shall have the same proportion of the issued share capital of our Company as that to which he was entitled before such adjustment. No such adjustment shall be made the effect of which would be to enable any Share to be issued at less than its nominal value, or to increase the proportion of the issued share capital of our Company for which any option-holder would have been entitled to subscribe had he exercised all the options held by him immediately prior to such adjustments.

The auditors of our Company or the independent financial advisor selected by the Board (as appropriate) must confirm to the Board in writing that the adjustment satisfies the requirements of the Note to paragraph 23.03(13) of the GEM Listing Rules and such applicable guidance and/or interpretation of the GEM Listing Rules from time to time issued by the Stock Exchange (including, without limitation, the “Supplemental Guidance on GEM Listing Rule 23.03(13) and the Notice immediately after the Rule” attached to the letter of the Stock Exchange dated September 5, 2005 to all issuers relating to share option schemes), except where such adjustment is made on a capitalization issue.

The capacity of the auditors or independent financial advisors is that of experts and not of arbitrators and their certification shall be final and binding on our Company and the option-holders in the absence of fraud or manifest error. The costs of the auditors or independent financial advisors shall be borne by our Company.

(v) Cancellation of option

Unless the option-holder agrees, the Board may only cancel an option (which has been granted but not yet exercised) if, at the election of the Board, either:

- (i) our Company pays to the option-holder an amount equal to the fair market value of the option at the date of cancellation as determined by the Board at its absolute discretion, after consultation with the auditors of our Company or an independent financial advisor appointed by the Board; or
- (ii) the Board offers to grant to the option-holder replacement options (or options under any other share option scheme of any member of our Group) or makes such arrangements as the option-holder may agree to compensate him for the loss of the option; or
- (iii) the Board makes such arrangements as the option-holder may agree to compensate him for the cancellation of the option.

(w) Termination of the Share Option Scheme

The Share Option Scheme will expire automatically on the day immediately preceding the tenth anniversary of the Listing Date. The Board may terminate the Share Option Scheme at any time without Shareholders' approval by resolving that no further options shall be granted under the Share Option Scheme and in such case, no new offers to grant options under the Share Option Scheme will be made and any options which have been granted but not yet exercised shall either (i) continue subject to the Share Option Scheme, or (ii) be cancelled in accordance with sub-paragraph (v).

(x) Amendments to the Share Option Scheme

The Board may amend any of the provisions of the Share Option Scheme (including amendments in order to comply with changes in legal or regulatory requirements) at any time (but not so as to affect adversely any rights which have accrued to any option-holder at that date), except that amendments which are to the advantage of present or future option-holders in respect of matters contained in Rule 23.03 of the GEM Listing Rules must be approved by the Shareholders in general meeting.

Any amendments to the terms and conditions of the Share Option Scheme which are of a material nature or any amendments to the terms of any options granted may only be made with the approval of the shareholders of our Company save where the amendments take effect automatically under the existing terms of the Share Option Scheme.

Any amendments to the terms of options granted to an option-holder who is a substantial shareholder of our Company or an independent non-Executive Director, or any of their respective associates, must be approved by the Shareholders in general meeting. The resolution to approve the amendment must be taken on a poll and any connected person of our Company must abstain from voting on the resolution to approve such amendment, except that such a connected person may vote against such resolution.

Any change to the authority of the Board in relation to any amendment of the rules of the Share Option Scheme may only be made with the approval of the Shareholders in general meeting.

(y) Conditions of the Share Option Scheme

The adoption of the Share Option Scheme is conditional on:

- (i) the Listing Division granting (or agreeing to grant) approval (subject to such conditions as the Stock Exchange may impose) for the listing of, and permission to deal in, the Shares which

may fall to be issued pursuant to the exercise of any options which may be granted under the Share Option Scheme; and

- (ii) the commencement of the dealings in the Shares on GEM.

If the conditions above are not satisfied on or before the date following six months after the date the Share Option Scheme was conditionally adopted:

- (a) the Share Option Scheme shall forthwith determine;
- (b) any option granted or agreed to be granted pursuant to the Share Option Scheme and any offer of such a grant shall be of no effect; and
- (c) no person shall be entitled to any rights or benefits or be under any obligation under or in respect of the Share Option Scheme or any option.

(z) **General**

An application has been made to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, the new Shares which may be issued pursuant to the exercise of the options which may be granted pursuant to the Share Option Scheme.

As of the Latest Practicable Date, no option had been granted or agreed to be granted by our Company pursuant to the Share Option Scheme.

Details of the Share Option Scheme, including particulars and movements of the options granted during each financial year of our Company, and our employee costs arising from the grant of the options will be disclosed in our annual report.

E. OTHER INFORMATION

1. Estate duty

Our Directors have been advised that no material liability for estate duty is likely to fall on our Company or any of our subsidiaries.

2. Litigation

During the Track Record Period and up to the Latest Practicable Date, no member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance was known to our Directors to be pending or threatened by or against our Group, that would have a material adverse effect on its business, financial condition or results of operations.

3. Joint Sponsors

The Joint Sponsors have made an application on behalf of our Company to the Listing Division of the Stock Exchange for the listing of, and permission to deal in, our Shares in issue and our Shares to be issued pursuant the Global Offering (including any Shares to be issued upon the exercise of the options which may be granted under the Share Option Scheme). All necessary arrangements have been made to enable the Shares to be admitted into CCASS.

The Joint Sponsors satisfy the independent criteria applicable to sponsors set out in Rule 6A.07 of the GEM Listing Rules. Please refer to the section headed “Underwriting — Hong Kong Underwriters’ Interest in our Company” for details regarding the independence of the Joint Sponsors.

The Joint Sponsors are entitled to an aggregate sponsor fee of US\$1,000,000, which is payable by our Company to the Joint Sponsors in equal proportions. Accordingly, the sponsor fee payable to each of the Joint Sponsors is US\$500,000.

4. Qualification of Experts

The following are the qualifications of the experts who have given opinions or advice which are contained in this prospectus:

Name	Qualification
Citigroup Global Markets Asia Limited	Licensed to conduct Type 1 (dealing in securities), Type 2 (dealing in futures contracts), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO
Macquarie Capital Securities Limited	Licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 7 (providing automated trading services) of the regulated activities under the SFO
PricewaterhouseCoopers	Certified public accountants
Fangda Partners	PRC legal advisor
Maples and Calder	Cayman Islands attorneys-at-law
Analysys International	Industry consultant

5. Consents of Experts

Each of the experts as referred to in the section headed “Other Information — Qualification of Experts” in this Appendix has given and has not withdrawn their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or legal opinion (as the case may be) and references to their names included in the form and context in which it respectively appears.

None of the experts named above has any shareholding interests in our Company or any of our subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in our Company or any of our subsidiaries.

6. Promoters

Our Company has no promoter for the purpose of the GEM Listing Rules.

7. Preliminary Expenses

The preliminary expenses incurred by our Company were approximately RMB47,500.

8. No Material Adverse Change

Our Directors confirm that there has been no material adverse change in the financial or trading position or prospects of our Group since June 30, 2014 (being the date to which the latest audited consolidated financial statements of our Group were prepared).

9. Binding Effect

This prospectus shall have the effect, if an application is made in pursuance of this prospectus, of rendering all persons concerned bound by all of the provisions (other than the penal provisions) of Sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance insofar as applicable.

10. Bilingual Prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

11. Miscellaneous

- (a) Save as disclosed in this prospectus:
- (i) within the two years immediately preceding the date of this prospectus, neither we nor any of our subsidiaries has issued or agreed to issue any share or loan capital fully or partly paid up either for cash or for a consideration other than cash;
 - (ii) no share or loan capital of our Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
 - (iii) within the 24 months immediately preceding the date of this prospectus, no commissions, discounts, brokerage or other special terms have been granted in connection with the issue or sale of any shares or loan capital of any member of our Group;
 - (iv) within the two years immediately preceding the date of this prospectus, no commission has been paid or payable (except commission to sub-underwriters) to any persons for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any shares of our Company or any of our subsidiaries;
 - (v) no founder, management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (vi) our Company has no outstanding convertible debt securities or debentures; and
 - (v) there is no arrangement under which future dividends are waived or agreed to be waived.
- (b) Our Directors confirm that there has not been any interruption in the business of our Company which may have or have had a material adverse effect on the financial position of our Company in the 24 months immediately preceding the date of this prospectus.

None of the equity and debt securities of our Company, if any, is listed or dealt with in any other stock exchange nor is any listing or permission to deal being or proposed to be sought.

12. PARTICULARS OF THE SELLING SHAREHOLDERS AND THE OVER-ALLOTMENT OPTION GRANTORS**I. Particulars of the Selling Shareholders as at the Latest Practicable Date are set out as follows:**

- (a) Name: IDG-Accel China Growth Fund L.P.
Description: A limited partnership formed under the laws of the Cayman Islands
Registered office: Office of Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Beneficial owner(s): IDG-Accel China Growth Fund L.P. is controlled by its sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35% by each of Zhou Quan and Ho Chi Sing.
Number of Sale Shares: 17,102,300
- (b) Name: IDG-Accel China Growth Fund-A L.P.
Description: A limited partnership formed under the laws of the Cayman Islands
Registered office: Office of Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Beneficial owner(s): IDG-Accel China Growth Fund-A L.P. is controlled by its sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35% by each of Zhou Quan and Ho Chi Sing.
Number of Sale Shares: 3,495,220
- (c) Name: IDG-Accel China Investors L.P.
Description: A limited partnership formed under the laws of the Cayman Islands
Registered office: Office of Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Beneficial owner(s): IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100% by Ho Chi Sing.
Number of Sale Shares: 1,592,920
- (d) Name: Northern Light Venture Capital II, Ltd.
Description: A venture capital firm formed under the laws of the United States
Registered office: Floor 4, Willow House, Cricket Square, PO Box 268, Grand Cayman KY1-1104, Cayman Islands
Beneficial owner(s): The beneficial owners of the Shares held by Northern Light Venture Capital II, Ltd. are Northern Light Venture Fund II, L.P., Northern Light Strategic Fund II, L.P. and Northern Light Partners Fund II, L.P. (collectively, the “**Northern Light Funds**”). Northern Light Partners II, L.P., the general partner of each of the Northern Light Funds, and Northern Light Venture Capital II, Ltd., the general partner of Northern Light Partners II, L.P., may each

be deemed to have sole voting and dispositive power over the Shares held by the Northern Light Funds. Feng Deng, Jeffery D. Lee and Yan Ke are the directors of Northern Light Venture Capital II, Ltd. and may be deemed to share voting and dispositive power over the Shares held by the Northern Light Funds. Such persons and entities disclaim beneficial ownership of Shares held by the Northern Light Funds, except to the extent of any pecuniary interest therein.

Number of Sale Shares: 9,246,060

- (e) Name: New Enterprise Associates 12, Limited Partnership
Description: A limited partnership formed under the laws of the State of Delaware, USA
Registered office: 1954 Greenspring Drive, Suite 600, Timonium, MD21093, USA
Beneficial owner(s): The beneficial owners of the Shares held by New Enterprise Associates 12, Limited Partnership (“**NEA 12**”) are NEA Partners 12, Limited Partnership (“**NEA Partners 12**”), the general partner of NEA 12, and NEA 12 GP, LLC (“**NEA 12 GP**”), the general partner of NEA Partners 12. M. James Barrett, Peter J. Barris, Forest Baskett, Ryan D. Drant, Patrick Kerins, Krishna “Kittu” Kolluri and Scott D. Sandell, are the managers of NEA 12 GP and may be deemed to share voting and dispositive power over the Shares held by NEA 12. The managers disclaim beneficial ownership of the Shares held by NEA 12 except to the extent of any pecuniary interest therein.

Number of Sale Shares: 5,533,480

- (f) Name: NEA Ventures 2008, Limited Partnership
Description: A limited partnership formed under the laws of the State of Delaware, USA
Registered office: 1954 Greenspring Drive, Suite 600, Timonium, MD21093, USA
Beneficial owner(s): The beneficial owner of the Shares held by NEA Ventures 2008, L.P. (“**Ven 2008**”) is Karen P. Welsh. Karen P. Welsh is the general partner of Ven 2008 and may be deemed to have voting and dispositive power over the shares held by Ven 2008. Karen P. Welsh disclaims beneficial ownership of the Shares held by Ven 2008 except to the extent of any pecuniary interest therein.

Number of Sale Shares: 14,020

II. Particulars of the Over-allotment Option Grantors as at the Latest Practicable Date are set out as follows:

- (a) Name: IDG-Accel China Growth Fund L.P.
Description: A limited partnership formed under the laws of the Cayman Islands
Registered office: Office of Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Beneficial owner(s): IDG-Accel China Growth Fund L.P. is controlled by its sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35% by each of Zhou Quan and Ho Chi Sing.
Number of over-allotment Shares: 10,261,000
- (b) Name: IDG-Accel China Growth Fund-A L.P.
Description: A limited partnership formed under the laws of the Cayman Islands
Registered office: Office of Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Beneficial owner(s): IDG-Accel China Growth Fund-A L.P. is controlled by its sole general partner, IDG-Accel China Growth Fund Associates L.P., which in turn is controlled by its sole general partner, IDG-Accel China Growth Fund GP Associates Ltd.. IDG-Accel China Growth Fund GP Associates Ltd. is held as to 35% by each of Zhou Quan and Ho Chi Sing.
Number of over-allotment Shares: 2,097,000
- (c) Name: IDG-Accel China Investors L.P.
Description: A limited partnership formed under the laws of the Cayman Islands
Registered office: Office of Intertrust SPV (Cayman) Limited, 190 Elgin Avenue, George Town, Grand Cayman KY1-9005, Cayman Islands
Beneficial owner(s): IDG-Accel China Investors L.P. is controlled by its sole general partner, IDG-Accel China Investor Associates Ltd., which in turn is held as to 100% by Ho Chi Sing.
Number of over-allotment Shares: 956,000
- (d) Name: Northern Light Venture Capital II, Ltd.
Description: A venture capital firm formed under the laws of the United States
Registered office: Floor 4, Willow House, Cricket Square, PO Box 268, Grand Cayman KY1-1104, Cayman Islands
Beneficial owner(s): The beneficial owners of the Shares held by Northern Light Venture Capital II, Ltd. are Northern Light Venture Fund II, L.P., Northern Light Strategic Fund II, L.P. and Northern Light Partners Fund II, L.P. (collectively, the “**Northern Light Funds**”).

Northern Light Partners II, L.P., the general partner of each of the Northern Light Funds, and Northern Light Venture Capital II, Ltd., the general partner of Northern Light Partners II, L.P., may each be deemed to have sole voting and dispositive power over the Shares held by the Northern Light Funds. Feng Deng, Jeffery D. Lee and Yan Ke are the directors of Northern Light Venture Capital II, Ltd. and may be deemed to share voting and dispositive power over the Shares held by the Northern Light Funds. Such persons and entities disclaim beneficial ownership of Shares held by the Northern Light Funds, except to the extent of any pecuniary interest therein.

Number of over-
allotment Shares: 2,080,500

- (e) Name: New Enterprise Associates 12, Limited Partnership
 Description: A limited partnership formed under the laws of the State of Delaware, USA
 Registered office: 1954 Greenspring Drive, Suite 600, Timonium, MD21093, USA
 Beneficial owner(s): The beneficial owners of the Shares held by New Enterprise Associates 12, Limited Partnership (“**NEA 12**”) are NEA Partners 12, Limited Partnership (“**NEA Partners 12**”), the general partner of NEA 12, and NEA 12 GP, LLC (“**NEA 12 GP**”), the general partner of NEA Partners 12. M. James Barrett, Peter J. Barris, Forest Baskett, Ryan D. Drant, Patrick Kerins, Krishna “Kittu” Kolluri and Scott D. Sandell, are the managers of NEA 12 GP and may be deemed to share voting and dispositive power over the shares held by NEA 12. The managers disclaim beneficial ownership of the shares held by NEA 12 except to the extent of any pecuniary interest therein.

Number of over-
allotment Shares: 1,245,000

- (f) Name: NEA Ventures 2008, Limited Partnership
 Description: A limited partnership formed under the laws of the State of Delaware, USA
 Registered office: 1954 Greenspring Drive, Suite 600, Timonium, MD21093, USA
 Beneficial owner(s): The beneficial owner of the Shares held by NEA Ventures 2008, L.P. (“**Ven 2008**”) is Karen P. Welsh. Karen P. Welsh is the general partner of Ven 2008 and may be deemed to have voting and dispositive power over the shares held by Ven 2008. Karen P. Welsh disclaims beneficial ownership of the Shares held by Ven 2008 except to the extent of any pecuniary interest therein.

Number of over-
allotment Shares: 3,000

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were copies of the **WHITE**, **YELLOW** and **GREEN** application forms, the written consents referred to in the section headed “Other Information — Consents of Experts” in Appendix IV to this prospectus, copies of the material contracts referred to in the section headed “Further Information about our Business — Summary of our material contracts” in Appendix IV to this prospectus and the statement of particulars of the Selling Shareholders and the Over-allotment Option Grantors.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Simpson Thacher & Bartlett, at ICBC Tower, 35/F, 3 Garden Road, Central, Hong Kong during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Memorandum and Articles of Association of our Company;
- (b) the Accountant’s report for the years ended December 31, 2012 and 2013 and the six months ended June 30, 2014 from PricewaterhouseCoopers, the text of which is set out in Appendix I to this prospectus;
- (c) the report on the unaudited pro forma financial information from PricewaterhouseCoopers, the text of which is set out in Appendix II to this prospectus;
- (d) the letter prepared by Maples and Calder, our Cayman legal advisor, summarizing certain aspects of Cayman Islands company law as referred to in Appendix III to this prospectus;
- (e) the material contracts referred to in the section headed “Further Information about our Business — Summary of our material contracts” in Appendix IV to this prospectus;
- (f) the written consents referred to in the section headed “Other Information — Consents of Experts” in Appendix IV to this prospectus;
- (g) the rules of the RSU Scheme and the Share Option Scheme;
- (h) the full list of all the grantees who have been granted RSUs under the RSU Scheme, containing all the details as required under paragraph 27 of Appendix 1A to the GEM Listing Rules and paragraph 10 of Part I of the Third Schedule of the Companies (Winding Up and Miscellaneous Provisions) Ordinance;
- (i) the service contracts and letters of appointment referred to in the section headed “Further Information About our Directors and Substantial Shareholders — Directors’ Service Contracts and Letters of Appointment” in Appendix IV to this prospectus;
- (j) the PRC legal opinions dated December 9, 2014 issued by Fangda Partners, our PRC Legal Advisor, in respect of certain aspects of our Group and our property interests;
- (k) the Analysis Report; and
- (l) a list of particulars of the Selling Shareholders and the Over-allotment Option Grantors as set out in the section headed “Other Information — Particulars of the Selling Shareholders and the Over-allotment Option Grantors” in Appendix IV to this prospectus.

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