

GAMEONE
HOLDINGS LIMITED
智傲控股有限公司
(incorporated in the Cayman Islands with limited liability)
STOCK CODE: 8282

PLACING

SOLE SPONSOR



SOLE GLOBAL COORDINATOR, SOLE BOOKRUNNER AND JOINT LEAD MANAGER



IMPORTANT

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

GAMEONE HOLDINGS LIMITED

智傲控股有限公司

(incorporated in the Cayman Islands with limited liability)

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

Number of Placing Shares : 40,000,000 Placing Shares
(subject to the Offer Size Adjustment Option)

Placing Price : Not more than HK\$1.50 per Placing Share and expected to be not less than HK\$1.00 per Placing Share (payable in full upon application in Hong Kong dollars and subject to refund, plus brokerage of 1%, Stock Exchange trading fee of 0.005% and SFC transaction levy of 0.0027%)

Nominal value : HK\$0.01 each

Stock code : 8282

Sole Sponsor



China Everbright Capital Limited

Sole Global Coordinator, Sole Bookrunner and Joint Lead Manager



China Everbright Securities (HK) Limited

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 to this prospectus, has been registered with the Registrar of Companies as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Registrar of Companies in Hong Kong and the Securities and Futures Commission of Hong Kong take no responsibility as to the contents of this prospectus or any of the other documents referred to above.

Prior to making an investment decision, prospective investors should consider carefully all of the information set out in this prospectus, including but not limited to the risk factors set out in the section headed “Risk Factors” in this prospectus.

Prospective investors of the Placing Shares should note that the Sole Global Coordinator (for itself and on behalf of the Underwriters) is entitled to terminate the obligations of the Underwriters under the Underwriting Agreement by means of a notice in writing given to the Company by the Sole Global Coordinator (for itself and on behalf of the Underwriters) upon the occurrence of any of the events set out in the section headed “Underwriting — Underwriting Arrangements — Grounds for termination” in this prospectus, at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date. Should the Sole Global Coordinator (for itself and on behalf of the Underwriters) terminate the Underwriting Agreement, the Placing will not proceed and will lapse.

31 December 2015

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 of 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 of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

The principal means of information dissemination on GEM is publication on the Internet website operated by the Stock Exchange. Listed companies are not generally required to issue paid announcements in gazette newspapers. Accordingly, prospective investors should note that they need to have access to the GEM website at www.hkgem.com in order to obtain up-to-date information on GEM-listed issuers.

EXPECTED TIMETABLE

Events	Date <i>(Note 1)</i>
Price Determination Date on or before <i>(Note 2)</i>	Wednesday, 6 January 2016
Announcement of the Placing Price and the level of indication of interests in the Placing to be published on our Company's website (www.gameone.com.hk) and the website of the Stock Exchange (www.hkexnews.hk) on or before <i>(Note 3)</i>	Tuesday, 12 January 2016
Allotment of the Placing Shares to placees (or their designated person(s)) on or before	Tuesday, 12 January 2016
Deposit of share certificates into CCASS on or before <i>(Notes 4 and 5)</i>	Tuesday, 12 January 2016
Dealings in the Shares on GEM to commence at 9:00 a.m. on	Wednesday, 13 January 2016

Notes:

1. All times refer to Hong Kong local time and date. If there is any change to the above expected timetable, our Company will make a separate announcement to inform investors accordingly. Details of the structure of the Placing, including its conditions, are set out in the section "Structure and Conditions of the Placing" in this prospectus.
2. The Price Determination Date is scheduled to be on or before 6 January 2016 (or such later date as agreed between our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters)). If the Sole Global Coordinator and our Company are unable to reach an agreement on the Placing Price on the Price Determination Date, the Placing will not become unconditional and will lapse immediately.
3. None of our Company's website or any of the information contained in our Company's website forms part of this prospectus.
4. The share certificates are expected to be issued in the name of HKSCC Nominees Limited or in the name of the placee(s) or their agent(s) as designated by the Underwriters. Share certificates for the Placing Shares to be distributed via CCASS are expected to be deposited into CCASS on or about Tuesday, 12 January 2016 for credit to the respective CCASS Participant's stock accounts designated by the Underwriters, the placees or their agents, as the case may be. No temporary documents or evidence of title will be issued.
5. Share certificates for the Placing Shares will only become valid certificates of title at 8:00 a.m. (Hong Kong time) on the Listing Date (such date is currently expected to be on Wednesday, 13 January 2016) provided that (i) the Placing becomes unconditional in all respects; and (ii) the right of termination as described in the section headed "Underwriting — Underwriting Arrangements — Grounds for termination" in this prospectus has not been exercised and has lapsed.

Pursuant to the force majeure provisions contained in the Underwriting Agreement in respect of the Placing, the Sole Global Coordinator has the right in certain circumstances, subject to its absolute discretion, to terminate the obligations of the Underwriters under the Underwriting Agreement at any time prior to 8:00 a.m. (Hong Kong time) on the Listing Date (which is currently expected to be on Wednesday, 13 January 2016). Further details of the terms of the force majeure provisions are set out in the section "Underwriting" in this prospectus.

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IMPORTANT NOTICE TO INVESTORS

This prospectus is issued by our Company solely in connection with the Placing and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Placing Shares offered by this prospectus pursuant to the Placing. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer in any other jurisdiction or in any other circumstances.

You should rely on the information contained in this prospectus to make your investment decision. We, the Sole Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Placing have not authorised 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 authorised by us, the Sponsor, the Sole Global Coordinator, the Underwriters, any of their respective directors, advisers, officers, employees, agents or representatives or any other person or party involved in the Placing. The contents of our Company's website at www.gameone.com.hk do not form part of this prospectus.

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SUMMARY

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

OVERVIEW

We are an integrated game developer, operator and publisher focusing in the market of Hong Kong and Taiwan. We operated our self-developed games and published them on our own distribution platforms and utilised our own payment channels during the Track Record Period. We also operated licensed games which utilised our own distribution platforms and payment channels. Our Directors consider such integration of upstream and downstream services in the value chain of the game industry has provided us with a better market position. Since the establishment of our predecessor group in 1999, we have participated in the game industry of Hong Kong for over ten years.

According to the Ipsos Report, our market share in terms of total revenue generated from game operated/published by locally based companies in the online PC and mobile games operation/publishing market in Hong Kong was approximately 11.7% in 2014 and approximately 9.0% for the six months ended 30 June 2015, while that in Taiwan was approximately 0.3% and 0.2% for the respective periods. For details please refer to pages 70 and 73 of the “Industry Overview” section of this prospectus.

For the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, approximately 97.4%, 98.1% and 99.0% of the revenue for the respective periods were contributed by income generated from game operation and publishing. During the Track Record Period, approximately 84.6%, 85.1% and 91.3% of our revenue were generated in Hong Kong market. Our revenue for the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015, were approximately HK\$68.8 million, HK\$78.7 million and HK\$69.4 million respectively.

For the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015, approximately 70.6%, 65.3% and 78.3% of our revenue were respectively contributed from licensed games. In addition, our top three highest revenue-generating licensed games for the respective periods contributed approximately 58.9%, 47.1% and 62.8% of our revenue for the respective periods. Among our top five suppliers during the Track Record Period, game licensors accounted for approximately 29.3%, 24.8% and 28.1% of our total purchase for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, respectively. The largest game licensor during the Track Record Period accounted for approximately 15.8%, 12.1% and 28.1% for the same period, respectively. In the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, there were eight game licensors which were among the top 5 game licensors with the highest revenue contribution of respective periods, contributing to our Group approximately 64.5%, 61.7% and 76.8% of total revenue of respective periods. All of these eight game licensors have commenced business relationship with our Group for more than one year. Thus, our Directors believe that it is essential to maintain a good business relationship with our game licensors to ensure continued smooth operations of the licensed games.

SUMMARY

During the Track Record Period, the largest game licensor has granted two licenses to us, namely *Demi-Gods and Semi-Devils (Online)** (天龍八部Online) and *Demi-Gods and Semi-Devils 3D** (天龍八部3D).

We generally adopt a free-to-play model for our games. Our game portfolio includes mobile games, online PC games and web games. As at the Latest Practicable Date, our game portfolio includes 17 mobile games, 13 online PC games and one web game. Most of the games in our game portfolio have been launched for more than six months, and that the average MPU and ARPPU of the top five games for the respective periods were generally decreasing during the Track Record Period.

In order to align ourselves with the rising trend of mobile games, we shifted our strategic focus from online PC games and web games to mobile games throughout the Track Record Period and launched our first self-developed mobile game in January 2013. Currently, we strategically focus on mobile games. Our revenue from mobile games were approximately HK\$16.3 million, HK\$41.6 million and HK\$58.3 million for the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015, respectively, representing approximately 23.7%, 52.8% and 84.0% of our revenue during the respective periods.

Generally, a mobile game has an average game life of three to six months, unless we extend the game life through marketing and promotion efforts e.g. in-game events, as well as periodic release of updates, upgrades and introducing new elements and features. For licensed games, we will discuss with game licensors for the provision of localized game updates, as well as upgrades. Periodic updates will generally be included in the license agreement for such games.

We strategically focus on games based on popular literatures, comics and animations as our Directors believe we can leverage on the critical mass of the captive readership, to maximize the market recognition and receptiveness at a reduced marketing costs, attracting readers of these popular literatures, comics and animations, to try and play these games. During the Track Record Period and up to the Latest Practicable Date, by leveraging the experience and networks of our management in the game industry, we have successfully secured rights to adopt seven popular literatures, comics and animations, including, *Sea Tiger** (海虎), *The Ice Fantasy** (幻城), *The Storm Riders** (風雲) and *The Ravages of Time** (火鳳燎原) into games.

During the Track Record Period, we offered 18 mobile games, 36 online PC games and nine web games. Since 1 July 2015 and up to the Latest Practicable Date, we have launched five new mobile games during the period, among which three are licensed games and the remaining two are games for publishing. For the period since their respective launch date and up to 31 October 2015, the average MPU of the two new licensed games were approximately 866 and 256 respectively, while the ARPPU of these games were approximately HK\$1,099.3 and HK\$806.5 respectively. The third licensed game was launched in December 2015. For the new games for publishing, we have not maintained the game operating data necessary to calculate the average MPU and ARPPU as we only provide marketing and/or payment collection services for such games.

SUMMARY

We are developing and/or sourcing a total of nine games in the pipeline and anticipate to publish the same in the following sequence as at the Latest Practicable Date:

	Name of game ⁽¹⁾	Genre	Type	Self-developed/ licensed ⁽³⁾ / games for publishing	Expected publishing period
1.	<i>Dachen Wushuang</i> * (大神無雙)	MMOSRPG	Mobile	Licensed	1st quarter 2016
2.	<i>Bulang Dao</i> * (不良道)	RPG	Mobile	Licensed	1st quarter 2016
3.	<i>Game D</i>	SRPG	Mobile	Licensed	1st quarter 2016
4.	<i>Game E</i>	MMORPG	Mobile	Licensed	1st quarter 2016
5.	<i>Daota Xiyou</i> * (刀塔西遊)	MMORPG	Mobile	Licensed	2nd quarter 2016
6.	<i>The Storm Riders</i> (online)* (風雲Online)	MMORPG	Online PC	Licensed	2nd quarter 2016
7.	<i>Chronicles of the God's Order</i> * (封神紀)	MMORPG	Mobile	Licensed ⁽²⁾	3rd quarter 2016
8.	<i>Warlocks</i> * (魔法軍團)	SLG	Mobile	Self-developed	4th quarter 2016
9.	<i>Ice Fantasy</i> * (幻城)	MMORPG	Online PC	Licensed ⁽²⁾	1st quarter 2017

Notes:

- (1) The name of the above games are provisional, and may differ upon publishing.
- (2) Our development right was sub-licensed to third-party game developer and secured game operation and publishing rights of the resultant games.
- (3) The licensed operating period of the above games generally ranges from 24 months to 36 months starting from commercial launch.

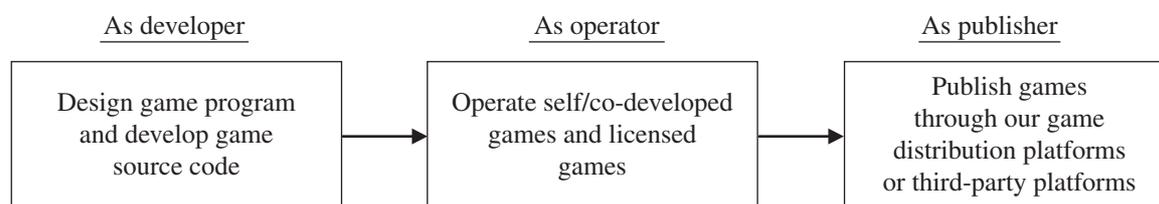
For details, please refer to the paragraph headed “Game Pipeline” on pages 132 and 133 of the “Business” section of this prospectus.

Our business model

Our roles can be divided into three major categories, namely (i) game developer, (ii) game operator and (iii) game publisher. We believe that integrating the upstream and downstream businesses in the game industry can allow us to achieve operational efficiency.

SUMMARY

The following diagram illustrates our roles in the game industry as the developer, operator and publisher:



Our game portfolio consists of our self/co-developed games and third-party developed games, including licensed games and games for publishing. Licensed games refer to those games operated by us but developed by other developers. We generally obtained an exclusive and/or non-exclusive right to operate and publish the respective licensed game within a specific territory for an agreed period. Games for publishing refer to those games published by us but operated by other game developers/operators. As a game publisher, we merely provide payment collection and/or publishing services.

Our revenue model

Our self/co-developed games and licensed games generate revenue primarily from the sales of in-game virtual items that enable game players to advance in the game more conveniently or enhancing game players' in-game experience through obtaining additional powers, abilities, attractiveness etc. of their in-game characters. Under this free-to-play model, players can play the basic features of the games for free.

The following table sets out a breakdown of our revenue by its type in absolute amount and as percentage of our revenue for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June	
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Game operation income						
- Self/co-developed games*	16,023	23.3	23,238	29.5	13,768	19.8
- Licensed games	48,621	70.6	51,351	65.3	54,334	78.3
Game publishing income						
- Games for publishing	<u>2,420</u>	<u>3.5</u>	<u>2,610</u>	<u>3.3</u>	<u>608</u>	<u>0.9</u>
Income from game operation and publishing	67,064	97.4	77,199	98.1	68,710	99.0
Royalty income*	1,769	2.6	1,054	1.4	81	0.1
License fee income	—	—	415	0.5	634	0.9
Total	<u>68,833</u>	<u>100.0</u>	<u>78,668</u>	<u>100.0</u>	<u>69,425</u>	<u>100.0</u>

*Note: also represent income from being a game developer

SUMMARY

The following table sets out (i) revenue generated and (ii) the breakdown of the average MPU and ARPPU of the top five games for the years/period indicated, or in such period from the commercialization of the games to the end of the years/periods indicated:

Name of the top five games	Game Source (license/operating right expiry)	Average MPU		ARPPU			Revenue Contribution						
		For the six months ended		For the year ended 31		For the six months ended		For the year ended 31		For the six months ended 30			
		2013	2014	2013	2014	2015	2013	2014	2015	2013	2014	2015	
<i>Game B</i>	Self-developed based on non-exclusive game development rights (Aug 2020)	834	99	43	476.0	592.0	318.0	4,762	6.9	704	0.9	83	0.1
<i>The Ravages of Time (mobile version)* (火鳳燎原手機版)</i>	Self-developed based on non-exclusive game development rights (May 2016)	1,054	768	556	1,162.5	1,818.8	2,308.1	9,804	14.2	16,766	21.3	7,702	11.1
<i>Game C</i>	Self-developed based on non-exclusive game development rights (Aug 2020)	N/A	N/A	765	N/A	N/A	961.9	N/A	N/A	N/A	N/A	4,412	6.4
<i>Demi-Gods and Semi-Devils (Online)* (天龍八部Online)</i>	Licensed (Apr 2017)	1,666	996	660	860.4	1,360.2	1,397.5	17,200	25.0	16,259	20.7	5,533	8.0
<i>Dark of Three Ancient Kingdoms Online* (圍三國Online)</i>	Licensed (Nov 2016)	1,042	649	404	286.7	371.2	467.0	3,586	5.2	2,890	3.7	1,138	1.6
<i>Age of Wushu (Online)* (九陰真經Online)</i>	Licensed (Sep 2016)	3,984	977	595	413.0	1,025.2	798.1	19,747	28.7	12,020	15.3	2,849	4.1

SUMMARY

OUR CUSTOMERS

Our customers include game players who have purchased in-game virtual items in our self/co-developed and licensed games. As we license our self/co-developed games to third-party game operators to publish in other geographic regions, such licensees are also our customers. In addition, game developers/operators that made use of our payment collection and/or publishing services are also our customers.

For the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, no single paying player contributed more than 1% of our revenue for the relevant period, and that the top five customers in aggregate contributed less than 30% of our revenue during each period.

OUR SUPPLIERS

Our top five suppliers are primarily the third-party game distribution platforms with payment channels, third-party game developers/operators, internet service provider and advertising services provider. They have contributed approximately 42.7%, 46.1% and 70.3% of our total purchase for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, respectively, while our largest supplier accounted for approximately 15.8%, 12.9% and 28.1% of our total purchase for the respective period.

COMPETITIVE LANDSCAPE

Competition in the game industry is intense in Hong Kong and Taiwan. We compete with other game developers, operators and publishers of online PC games and mobile games in Hong Kong and Taiwan. We may also face competition from emerging mobile game developers, operators and publishers, as well as some traditional online PC game companies that are entering the mobile game market. Benefiting from over ten years of experience accumulated in game development, operation and publishing in the Hong Kong market, as well as the possession of a number of development rights to popular literatures, comics and animations, our Directors believe that we can differentiate with our competitors in the future.

HISTORICAL NON-COMPLIANCE INCIDENT

During the Track Record Period, we failed to comply with the permitted use of Unit A, 21/F North Point Industrial Building, No. 499 King's Road, North Point, Hong Kong, which we used as our head office and office for development and operation of mobile games, online PC games and web games, as stated in the government lease, occupation permit, deed of mutual covenant and tenancy agreement. Our Directors are of the view that the aforesaid non-compliance does not and will not have any material financial or operational impact on us. For details, please refer to the paragraph headed "Risk Management and Non-Compliance" in the "Business" section on page 160 in this prospectus.

SUMMARY

COMPETITIVE STRENGTHS

We believe that the following competitive strengths allow us to achieve sustainable growth:

- (i) we have a proven track record in developing and operating games on multi-platforms with over 10 years of experience;
- (ii) we have good relationship with well-known game developers/operators;
- (iii) we possess strategically important game development rights; and
- (iv) we have solid management experience and expertise in the game industry.

BUSINESS STRATEGIES

Our primary objectives are (i) to strengthen our position as a leading operator and developer in the mobile game industry in Hong Kong and Taiwan and (ii) to actively expand into overseas markets in respect of self/co-developed games. To this end, we plan to pursue the following business strategies:

- (i) expand our game portfolio through developing more high-quality self/co-developed games and introducing licensed games with a focus on mobile games;
- (ii) continue to secure development rights for popular literatures, comics and animations;
- (iii) fully utilize existing games and development rights to broaden our revenue stream;
- (iv) enhance our game development capacity and increase the investment in game technology to increase the number of self-developed games;
- (v) consolidate our market position and enhance our marketing efforts; and
- (vi) pursue strategic alliances and acquisition opportunities.

SUMMARY OF FINANCIAL INFORMATION

The following is a summary of our combined financial statements as at the dates and for the periods indicated during the Track Record Period.

SUMMARY

Key financial figures of the combined statements of profit or loss and other comprehensive income

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000 (Unaudited)	HK\$'000
Revenue	68,833	78,668	37,332	69,425
Cost of services rendered	(39,134)	(44,501)	(18,720)	(34,897)
Gross profit	29,699	34,167	18,612	34,528
(Loss)/profit for the year/period	(9,591)	7,045	6,085	10,401

We recorded a net loss of approximately HK\$9.6 million in 2013 and managed a turnaround in our business to yield a net profit of approximately HK\$7.0 million in 2014, primarily attributable to the combined effect of (i) a HK\$9.8 million increase in our revenue in 2014 mainly resulted from an increase in our game operation income from our self/co-developed mobile games and licensed mobile games as a result of the shift of our focus from online PC games to mobile games; (ii) a HK\$10.3 million decrease in impairment made on our intangible assets in 2014 as compared with 2013 due to the failure of certain online PC and web games to achieve the expected level of paying players in 2013, resulting in significant written-off; and (iii) a HK\$2.7 million decrease in a written-off of an amount due from a joint venture as a result of the disposal of our joint ventures in 2013.

Gross Profit Analysis

Based on the best knowledge of our Directors, our Group's financial performance and results of operations were not driven by seasonal effect. As our gross profit was primarily generated from the game operation and publishing throughout the Track Record Period, the following sets forth the gross profit analysis by game ownership and game forms during the Track Record Period:

Gross profit analysis by game ownership

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014 (Unaudited)		2015	
	HK\$'000	Gross profit margin	HK\$'000	Gross profit margin	HK\$'000 (Unaudited)	Gross profit margin	HK\$'000	Gross profit margin
Self/co-developed games	8,372	52.2%	10,590	45.6%	6,580	52.4%	8,579	62.3%
Licensed games	17,608	36.2%	19,729	38.4%	9,510	44.4%	24,726	45.5%
Games for publishing	1,951	80.6%	2,379	91.2%	1,489	64.0%	507	83.4%
Gross profit from game operation and publishing	27,931	41.6%	32,698	42.4%	17,579	48.4%	33,812	49.2%

SUMMARY

The gross profit margin of our self/co-developed games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the greater extent of the decrease in the revenue generated from our self/co-developed games in the second half of 2014 resulted from the shift of our promotion focus to our licensed mobile games in the second half of 2014, as compared to the extent of decrease in costs for operation of our self/co-developed games.

The gross profit margin of our licensed games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the effect of (i) more royalty expenses and channel fees incurred in the second half of 2014 as a result of the launch of more licensed mobile games in the second half of 2014 than that in the first half of 2014; and (ii) the significant increase in channel fees as a result of the operation and publishing of more mobile games in the second half of 2014 which were more dependent on services by third-party distribution platforms than that for online PC games and web games, such as services charge for Google Play.

Gross profit analysis by game forms

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	Gross profit margin	HK\$'000	Gross profit margin	HK\$'000 (Unaudited)	Gross profit margin	HK\$'000	Gross profit margin
Mobile games	8,163	50.0%	16,748	40.4%	7,031	50.3%	29,441	50.5%
Online PC games	19,468	40.2%	15,647	45.0%	10,892	49.2%	4,586	44.9%
Web games	300	13.3%	303	31.9%	(344)	N/A	(215)	N/A
Gross profit from game operation and publishing	<u>27,931</u>	41.6%	<u>32,698</u>	42.4%	<u>17,579</u>	48.4%	<u>33,812</u>	49.2%

The gross profit margin of our mobile games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the significant increase in channel fees as a result of the operation and publishing of more mobile games in the second half of 2014 which were more dependent on services by third-party distribution platforms than that for online PC games and web games, such as services charge for Google Play.

The gross profit margin of our online PC games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the effect of less revenue generated from our online PC games in the second half of 2014 than that generated in the first half of 2014 as a result of the evolving market trend with more game players shifting from online PC games to mobile games and the shift of our focus from online PC games to mobile games. Also, in the first half of 2014, we launched more promotion campaign to increase the popularity of our online PC games than in the second half of 2014, thus the revenue derived from online PC games decreased from approximately HK\$22.1 million in the first half of 2014 to approximately HK\$12.6 million in the second half of 2014.

SUMMARY

For the analysis on the gross profit margin by game ownership and game forms, please refer to the paragraph headed “Gross profit and gross profit margin” in the “Financial Information” section on pages 211 to 214 in this prospectus.

Key financial figures of the combined statements of financial position

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Non-current assets	14,685	20,046	22,649
Current assets	51,322	51,384	73,310
Total assets	<u>66,007</u>	<u>71,430</u>	<u>95,959</u>
Non-current liabilities	121	164	220
Current liabilities	22,478	20,169	34,598
Total liabilities	<u>22,599</u>	<u>20,333</u>	<u>34,818</u>
Net assets	<u>43,408</u>	<u>51,097</u>	<u>61,141</u>

Key financial figures of the combined statements of cash flows

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net cash generated from operating activities	12,609	14,210	9,652	21,995
Net cash used in investing activities	<u>(4,248)</u>	<u>(12,949)</u>	<u>(8,950)</u>	<u>(6,877)</u>
Net increase in cash and cash equivalents	<u>8,361</u>	<u>1,261</u>	<u>702</u>	<u>15,118</u>

Key financial ratios

	Notes	As at 31 December		As at 30 June
		2013	2014	2015
Return on equity (%)	1	N/A	14.9	N/A
Return on total assets (%)	2	N/A	10.3	N/A
Current ratio	3	2.3	2.5	2.1

SUMMARY

Notes:

1. Return on equity is calculated based on the profit/loss for the respective period divided by the average of total equity at the beginning and the end of period and multiplied by 100%.
2. Return on total assets is calculated based on the profit/loss for the respective period divided by the average of total assets at the beginning and the end of period and multiplied by 100%.
3. Current ratio is calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

For further details, please refer to the paragraph headed “Key financial ratios” in the “Financial Information” section on pages 234 to 236 in this prospectus.

OUR SHAREHOLDING STRUCTURE AND CONTROLLING SHAREHOLDERS

Immediately after the Reorganisation, PCIL held 55.65% equity interest in our Company. Upon completion of the Placing, PCIL will hold approximately 41.74% equity interest in our Company, without taking into account of any Shares which may be issued upon exercise of the Offer Size Adjustment Option or any Shares which may be issued upon exercise of any options which may be granted under the Share Option Scheme. PCIL is beneficially owned as to 99% by PC Asia, which is beneficially owned by Ms. Wong as to 50% and Mr. Wong as to 50%, and as to 1% by PC Asia Nominees, which is a wholly-owned subsidiary of PC Asia. Whilst our Controlling Shareholders have not entered into any concert parties agreement in relation to their interests in PCIL, in all board meetings of PCIL held during the Track Record Period and up to the Latest Practicable Date, all of Mr. Wong and Ms. Wong, where present, have voted in a unanimous manner on any proposed resolution in respect of the management, development and operations of PCIL. In addition, Mr. Wong and Ms. Wong are acting together as a group of Controlling Shareholders. Given the above, our Controlling Shareholders have acted in concert throughout the Track Record Period and up to the Latest Practicable Date and are therefore deemed to be the Controlling Shareholders. Accordingly, Mr. Wong, Ms. Wong, PCIL and PC Asia are regarded as our Controlling Shareholders under the GEM Listing Rules.

On 24 August 2015, Gameone Inc. entered into a share subscription agreement with Snail Digital, pursuant to which Gameone Inc. agreed to issue and allot 255,797 ordinary shares of US\$0.01 each to Snail Digital for cash consideration of US\$387,600. Upon completion of the issuance and allotment of shares by Gameone Inc. on 27 August 2015, Gameone Inc. was held as to approximately 55.65%, 18.23%, 15.31%, 7.81% and 3.00% by PCIL, Mr. Sze, NYIL, Gameone (BVI) and Snail Digital, respectively. The consideration was fully settled on 27 August 2015.

For further details of the Pre-IPO investment of Snail Digital, please refer to the section headed “History, Reorganization and Structure of our Group” on pages 92 to 94 of this prospectus.

PLACING STATISTICS

	<u>Based on a Placing Price of HK\$1.00</u>	<u>Based on a Placing Price of HK\$1.50</u>
Market capitalization of our Shares at Listing ⁽¹⁾	HK\$160 million	HK\$240 million
Unaudited pro forma adjusted combined net tangible asset per Share ⁽²⁾	HK\$0.38	HK\$0.50

SUMMARY

Notes:

- (1) The calculation of the market capitalization of our Shares is based on 160,000,000 Shares expected to be in issue immediately after completion of the Placing and the Capitalization Issue, but does not take into account any Shares which may be allotted or issued pursuant to the exercise of the Offer Size Adjustment Option or any options which may be granted under the Share Option Scheme or any Shares which may be allotted and issued or repurchased by our Company pursuant to the issuing mandate and repurchase mandate.
- (2) The unaudited pro forma adjusted combined net tangible assets of our Group attributable to the owners of our Company per Share is arrived at on the basis that 160,000,000 Shares were in issue assuming that the Placing and the Capitalization Issue had been completed on 30 June 2015.

Please refer to the section headed “Unaudited Pro Forma Adjusted Net Tangible Assets” in Appendix II to this prospectus for further details.

USE OF PROCEEDS

We currently estimate that our Placing Price will not be more than HK\$1.50 per Placing Share and not less than HK\$1.00 per Placing Share. Assuming a Placing Price of approximately HK\$1.25 per Placing Share, which represents the mid-point of the indicative Placing Price range, we estimate that we will receive net proceeds from the issue of new Shares of approximately HK\$25.6 million (after deducting underwriting commissions and estimated total offering expenses in the aggregate amount of approximately HK\$24.4 million paid and payable by us), assuming the Offer Size Adjustment Option is not exercised.

We intend to use the net proceeds for the following purposes:

- approximately 31.25% will be used to expand our game portfolio through securing additional licensed games;
- approximately 16.88% will be used to secure development rights for popular literatures, comics and animations;
- approximately 1.56% will be used to fully utilize existing games and development rights through identifying business partners to produce game-related merchandise such as die-cast characters, etc.
- approximately 3.12% will be used to enhance our game development capacity and increase the investment in game technology to increase the number of self-developed games through acquisition of additional computer and related hardware and game design software;
- approximately 26.56% will be used to consolidate our market position and enhance our marketing efforts through marketing and promotion of our existing licensed games and self/co-developed games;
- approximately 10.63% will be used to pursue strategic alliances and acquisition opportunities; and
- approximately 10.00% will be used as general working capital and other general corporate purposes.

SUMMARY

DIVIDENDS

Distribution of dividends will generally be determined by our Board subject to the approval by our Shareholders in general meeting. The payment and the amount of any dividends in the future will depend on, among other things, our results of operations, cash flows, financial condition, the size of our distributable amount, statutory and regulatory restrictions on the payment of dividends, future prospects and other factors that we may consider relevant. There has been no historical dividend distributions. The declaration, payment, and amount of dividends will be subject to our Director's discretion. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

We do not currently have a dividend policy or intention to pay dividends. During the Track Record Period, no dividend has been declared or paid.

PRINCIPAL RISK FACTORS

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 related to our business; (ii) risk related to our industry; and (iii) risks related to the Placing. The following highlights some of the risks which are considered to be particularly material by our Directors:

- Our relatively short history in developing, operating and publishing mobile games makes it difficult to evaluate our prospects and future financial performance.
- A small number of games have generated a majority of our revenue, and we must continue to launch games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position.
- We may not be able to maintain a high gross profit margin in the future.
- A majority of our revenue are generated from the sale of in-game virtual items in operating self/co-developed games and licensed games and if we are unable to effectively market the in-game virtual items in these games, or if we need to change our revenue model in the future, our revenue, operations, financial conditions and business prospects could be materially and adversely affected.
- We rely on a limited number of game licensors who may compete with, and our operations may be adversely affected if we cannot seek replacement in a timely manner.
- If we are unable to extend the relatively short expected game life of our mobile games or if our games do not maintain their popularity during their expected life cycle, our business, financial condition, results of operations and prospects could be material and adversely impacted.

SUMMARY

- We may not be able to extend licenses for our existing licensed games or introduce new licensed games, which will materially and adversely affect our revenue.

The risks mentioned above are not the only significant risks that may affect our business and results of operations. As different investors may have different interpretations and standards for determining materiality of a risk, you are cautioned that you should carefully read the entire section headed “Risk Factors” beginning on page 32 of this prospectus before you decide to invest in the Shares.

RECENT DEVELOPMENT AND EFFECT OF LISTING EXPENSES

For the ten months ended 31 October 2015, we recorded an unaudited total revenue of approximately HK\$102.9 million. We launched a licensed mobile game, namely *Demi-Gods and Semi-Devils 3D** (天龍八部3D), in February 2015. This game received good response from game players in our markets. Since its official launch in February 2015 up to 31 October 2015, a total revenue of approximately HK\$43.9 million was generated from *Demi-Gods and Semi-Devils 3D** (天龍八部3D), or on average approximately HK\$4.9 million per month, representing approximately 42.7% of our total unaudited revenue for the ten months ended 31 October 2015. Moreover, our self-developed mobile game *The Ravages of Time (mobile version)** (火鳳燎原手機版) generated approximately HK\$11.3 million, or on average approximately HK\$1.1 million per month, representing approximately 11.0% of our total unaudited revenue for the ten months ended 31 October 2015. Together these two mobile games contributed around 53.6% of our total unaudited revenue for the said period.

Similar to other mobile game operated by us during the Track Record Period, the estimated game life of *Demi-Gods and Semi-Devils 3D** (天龍八部3D) is about three to six months, and considerable revenue would be generated in the first three to six months upon official launch. Therefore, the revenue generated from *Demi-Gods and Semi-Devils 3D** (天龍八部3D) started to decline during the third quarter of 2015. Similarly, revenue generated from *The Ravages of Time (mobile version)** (火鳳燎原手機版) has continued to decline despite the periodic release of updates and introducing new elements and features since its official launch in May 2013. For the four months ended 31 October 2015, the average monthly revenue generated from these two games are approximately HK\$2.9 million and HK\$0.9 million, respectively. To extend the game life of these games, we will continue to release new updates and upgrades periodically, and introduce new elements and features appealing to players to continue to play. As part of our effort to enhance market presence of our game, we updated the *Ravages of Time (mobile version)** (火鳳燎原手機版) and *Demi-Gods and Semi-Devils 3D** (天龍八部3D) in September and October 2015 respectively.

The aforementioned financial information for the ten months ended 31 October 2015 is based on our unaudited management accounts prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants for such period.

SUMMARY

Subsequent to the Track Record Period, we have launched three licensed mobile games, namely, *The Legend of Gulong's Heroes (Mobile)** (古龍群俠傳手機版), *King Online** (君王之王) and the *Age of Wushu (Mobile)** (九陰真經手機版) in July, September and December 2015, respectively. We also launched two games for publishing, namely, *Pocodum** (波可龍迷宮) and *Football Master** (足球大師) in September and October 2015, respectively. For details of performance and respective details of games launched after the Track Record Period and up to the Latest Practicable Date, please refer to page 132 of the “Business” section of this prospectus.

In addition, we expect our financial results for the year ending 31 December 2015 will continue to be adversely affected by the non-recurring listing expenses. The listing expenses to be borne by our Company are estimated to be approximately HK\$24.4 million, of which approximately HK\$6.4 million is directly attributable to the Placing and to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK\$18.0 million is to be charged to our combined statements of comprehensive income, of which nil, nil and approximately HK\$4.4 million had been charged to our combined statements of comprehensive income for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively. Our net profit for the six months ended 30 June 2015 were approximately HK\$10.4 million. Excluding the non-recurring listing expenses, we would record net profit for the six months ended 30 June 2015 of approximately HK\$14.8 million.

A further amount of listing expenses of approximately HK\$12.4 million is expected to be charged in the second half of the year ending 31 December 2015 and approximately HK\$1.2 million to be charged in the year ending 31 December 2016. The estimated listing expenses are the latest best estimate for reference only and subject to adjustments based on the actual amount incurred or to be incurred.

Save for the above, our Directors confirm that as at the date of this prospectus, there has been no material adverse change to our financial or trading position or prospects since 30 June 2015, being the date to which our most recent audited combined financial statements were prepared, and up to the date of this prospectus.

Based on the current information available to our Directors, we anticipate that we may experience a significant decrease in our net profit for the year ending 31 December 2015, when compared to that for the year ended 31 December 2014, principally due to the significantly adverse effect of the non-recurring listing expenses during the year.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, as at the Latest Practicable Date, there were no circumstances that would give rise to a disclosure requirement under Rules 17.15 to 17.21 of the GEM Listing Rules.

DEFINITIONS

For the purpose of this prospectus, following expressions have the following meanings unless the context otherwise requires. Certain other terms are explained in “Glossary of Terms” in this prospectus.

“Accountants’ Report”	the accountants’ report on our Company set out in Appendix I to this prospectus
“Articles” or “Articles of Association”	the articles of association of our Company adopted on 23 December 2015 and as amended from time to time, a summary of which is set out in Appendix III “Summary of the constitution of our Company and Cayman Islands Company Law” to this prospectus
“associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Board” or “Board of Directors”	the board of Directors
“Business Day” or “business day”	a day (other than a Saturday, or Sunday or public holiday in Hong Kong) on which licensed banks in Hong Kong are generally open for normal banking business
“BVI”	the British Virgin Islands
“CAGR”	compound annual growth rate
“Capitalization Issue”	the issue of 111,465,993 Shares to be made upon capitalization of an amount of HK\$1,114,659.93 standing to the credit of the share premium account of our Company as referred to under the paragraph headed “3. Resolutions of the Shareholders” in Appendix IV to this prospectus.
“CCASS”	the Central Clearing and Settlement System established and operated by the 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 Operational Procedures”	the operational procedures of the HKSCC in relation to CCASS, containing the practices, procedures and administrative requirements relating to the operations and functions of CCASS, as from time to time in force

DEFINITIONS

“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“China Everbright” or “Sole Sponsor”	China Everbright Capital Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO), being the sole sponsor of the Placing
“China Everbright Securities” or “Sole Global Coordinator”, “Sole Bookrunner”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities, being the sole global coordinator and the sole bookrunner of the Placing
“close associate(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Company”	Gameone Holdings Limited (智傲控股有限公司), the holding company of our Group after the Reorganization and the listing vehicle for the Listing, which is an exempted company with limited liability incorporated in the Cayman Islands on 14 April 2010
“Companies Law”, “Cayman Companies Law” or “Cayman Islands Company Law”	the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands, as amended, supplemented or otherwise modified from time to time
“Companies Ordinance”	the Companies Ordinance (Cap. 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (WUMP) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules and unless the context requires others, refers to PCIL, PC Asia, Ms. Wong and Mr. Wong
“CyberAgent”	CyberAgent, Inc., a game developer and a game supplier of the Company in Japan during the Track Record Period, an Independent Third Party

DEFINITIONS

“CYOU”	ChangYou.com Limited, an online game developer and operator in the PRC whose shares are listed on NASDAQ (stock code: CYOU), a game supplier of the Company during the Track Record Period, an Independent Third Party
“Deed of Indemnity”	the deed of indemnity dated 23 December 2015 and executed by PCIL and Mr. Sze in favour of our Company (for itself and as trustee for its subsidiaries) with particulars set out in the paragraph headed “15. Tax and other indemnity” in Appendix IV to this prospectus
“Deed of Non-Competition”	the deed of non-competition dated 23 December 2015 and executed by Mr. Wong, Ms. Wong and Mr. Sze in favour of our Company with particulars set out in the section headed “Relationship with Our Controlling Shareholders” in this prospectus
“Director(s)”	the director(s) of our Company
“G9”	G9 Entertainment Limited (智傲互動娛樂有限公司), a company incorporated in the BVI with limited liability on 7 September 2010 and a direct wholly-owned subsidiary of Gameone.com Inc.
“Gameone (BVI)”	Gameone Holdings Limited, a company incorporated in the BVI with limited liability on 26 November 1999 and owned as to 70% by Mr. Sze and 30% by Mr. Tam Hoi Chi, an Independent Third Party, and a substantial shareholder of the Company
“Gameone Agency”	Gameone Agency Limited (智傲遊戲代理有限公司), a company incorporated in the BVI with limited liability on 7 September 2010 and a direct wholly-owned subsidiary of Gameone.com Inc.
“Gameone.com Inc.”	Gameone.com Inc., a company incorporated in the BVI with limited liability on 7 September 2010 and a direct wholly-owned subsidiary of Gameone Inc.
“Gameone Group (HK)”	Gameone Group Limited (智傲集團有限公司), a company incorporated in Hong Kong with limited liability on 25 August 2010 and a direct wholly-owned subsidiary of Gameone.com Inc.
“Gameone Inc.”	Gameone Inc., a company incorporated in the BVI with limited liability on 7 September 2010 and a direct wholly-owned subsidiary of the Company after completion of the Reorganization

DEFINITIONS

“Gameone Online Technology”	Gameone Online Technology Limited (智傲網絡科技有限公司), a company incorporated in Hong Kong with limited liability on 15 September 2010 and a direct wholly-owned subsidiary of Gameone.com Inc.
“Gameone (Shenzhen)”	Interactive Gameone Software (Shenzhen) Limited* (互動智傲軟件(深圳)有限公司), a wholly foreign owned enterprise established in the PRC on 19 June 2001, a direct wholly-owned subsidiary of Gameone Online Technology and the deregistration of which was completed on 19 October 2015
“GDP”	gross domestic product
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM as amended, supplemented or otherwise modified from time to time
“GEM Website”	the Internet website at www.hkgem.com operated by the Stock Exchange for the purposes of GEM
“General Rules of CCASS”	the terms and conditions regulating the use of CCASS, as may be amended or modified from time to time and where the context so permits, shall include the CCASS Operational Procedures
“Group”, “our Group”, “we” or “us”	our Company and its subsidiaries, or where the context so requires in respect of the time prior to our Company’s incorporation, the business which its predecessors or the predecessors of its present subsidiaries were engaged in and which were subsequently assumed by it
“Hong Kong” or “HK” or “HK SAR”	the Hong Kong Special Administrative Region of the PRC
“HKFRS(s)”	Hong Kong Financial Reporting Standards issued by HKICPA
“HKICPA”	Hong Kong Institute of Certified Public Accountants
“HK\$” or “Hong Kong dollars”	Hong Kong dollar(s), the lawful currency of Hong Kong
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong Share Registrar”	Tricor Investor Services Limited, the Hong Kong branch share registrar of the Company

DEFINITIONS

“Independent Third Party(ies)”	an individual(s) or a company(ies) who or which is independent of and not connected with (within the meaning of the GEM Listing Rules) any of our Directors, chief executive or substantial shareholders of our Company, its subsidiaries or any of their respective associates
“Ipsos”	Ipsos Limited, an independent market research consulting firm
“Ipsos Report”	an industry report on the game industry and market in Hong Kong and Taiwan prepared by Ipsos and commissioned by the Company
“Joint Lead Manager(s)”	China Everbright Securities (HK) Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities and Convoy Securities Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity, being the joint lead managers of the Placing
“Latest Practicable Date”	22 December 2015, being the latest practicable date prior to the printing of this prospectus for the purpose of ascertaining certain information contained herein prior to its publication
“Listing”	the listing of the Shares on GEM
“Listing Date”	the date on which trading of the Shares first commences on GEM, which is expected to be on 13 January 2016
“Listing Division”	the Listing Division of the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Memorandum” or “Memorandum of Association”	the memorandum of association of our Company adopted on 23 December 2015 and as amended from time to time, a summary of which is set out in Appendix III to this prospectus
“Mr. Sze”	Mr. Sze Yan Ngai (施仁毅), the chairman of our Board, an executive Director and one of our substantial shareholders
“Mr. Wong”	Mr. Wong Kiam Seng (黃添勝), the father of Ms. Wong and one of our Controlling Shareholders
“Ms. Wong”	Ms. Wong Pui Yain (黃佩茵), a non-executive Director, the daughter of Mr. Wong and one of our Controlling Shareholders
“New Gameone (Taiwan)”	Gameone Group Limited Taiwan Branch (香港商智傲有限公司台灣分公司), a branch of Gameone Group (HK) registered in Taiwan on 21 October 2010

DEFINITIONS

“NYIL”	Nineyou International Limited, one of our substantial shareholders, a company incorporated in the Cayman Islands on 25 August 2004, which is owned by Heartland Investment Limited as to approximately 44.443%, Wollerton Investments Pte. Ltd. as to approximately 18.958%, Fair Gold International Limited as to approximately 15.612%, Everstar Overseas Holding Ltd. as to approximately 10.036%, Star Fortune Overseas Holding Limited as to approximately 8% and Hongxin International Holdings Limited as to approximately 2.951%, all of whom are Independent Third Parties
“NT\$”	the New Taiwan dollars, the lawful currency of Taiwan
“Offer Size Adjustment Option”	the option granted by our Company to the Underwriters, exercisable by the Sole Global Coordinator at its sole and absolute discretion, prior to the date of allotment results announcement, whereby our Company may be required to issue and allot up to 6,000,000 additional new Shares representing up to 15% of the Placing Shares initially available under the Placing at the Placing Price, subject to the terms and conditions set out in the Underwriting Agreement
“ongameshow.com”	ongameshow.com Limited (一場遊戲科技有限公司), a company incorporated in Hong Kong with limited liability on 10 May 2010 and a direct wholly-owned subsidiary of Gameone.com Inc. prior to the completion of the Reorganization
“PC Asia”	PC Asia Limited, a company incorporated in Hong Kong on 22 November 2000 with limited liability and beneficially owned by Ms. Wong as to 50% and Mr. Wong as to 50%, and one of our Controlling Shareholders
“PC Asia Nominees”	PC Asia Nominees Limited, a company incorporated in the BVI on 7 May 2001 with limited liability and a wholly-owned subsidiary of PC Asia, and holding one share in PCIL as nominee for PC Asia
“PCIL”	PC Investment Limited, a company incorporated in Hong Kong on 12 January 2001 with limited liability and beneficially owned by PC Asia as to 99% and PC Asia Nominees as to 1%, and one of our Controlling Shareholders
“Placing”	the conditional placing of the Placing Shares by the Underwriters on behalf of our Company for cash at the Placing Price with selected institutional, professional and/or other investors in Hong Kong as described in “Structure and Conditions of the Placing” in this prospectus

DEFINITIONS

“Placing Price”	the final price per Placing Share (exclusive of brokerage, SFC transaction levy and Stock Exchange trading fee payable thereon) which will be not more than HK\$1.00 per Placing Share and is expected to be not less than HK\$1.50 per Placing Share at which the Placing Shares are to be offered for subscription pursuant to the Placing, to be determined as further described in “Structure and Conditions of the Placing” in this prospectus
“Placing Shares”	the 40,000,000 new Shares being offered at the Placing Price for subscription under the Pricing
“PRC” or “China”	the People’s Republic of China which, for the purpose of this prospectus, shall exclude Hong Kong, Macau and Taiwan
“PRC Legal Advisers”	Shu Jin Law Firm, a qualified PRC law firm as the PRC legal advisers to our Company for the application for Listing
“PRC Government”	the government of the PRC, including all government subdivisions (including provincial, municipal and other regional or local government entities) and instrumentalities thereof or, where the context otherwise specifies, any of them
“Predecessor Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong) prior to its repeal and replacement on 3 March 2014 by the Companies Ordinance and Companies (WUMP) Ordinance
“Price Determination Agreement”	the agreement to be entered into between the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company on the Price Determination Date to fix and record the Placing Price
“Price Determination Date”	the date, expected to be on or before 6 January 2016 or such later date as the Sole Global Coordinator (for itself and on behalf of the Underwriters) and our Company may agree, on which the Placing Price will be fixed for the purpose of the Placing
“Right One”	Right One Global Limited, a company incorporated in the BVI with limited liability on 2 July 2015 and wholly owned by Mr. Sze
“Roaming Mobile Technology”	Roaming Mobile Technology (Shenzhen) Limited* (漫遊移動科技(深圳)有限公司), a wholly foreign owned enterprise established in the PRC on 13 August 2013 and a direct wholly-owned subsidiary of Gameone Group (HK)

DEFINITIONS

“Reorganization”	the corporate reorganization of our Group for the restructuring of our business and in preparation for the Listing, particulars of which are set out in the paragraphs headed “Reorganization” in the section headed “History, Reorganization and Structure of our Group” in this prospectus
“RMB” or “Renminbi”	Renminbi, the lawful currency of the PRC
“RM”	Malaysian Ringgit, the lawful currency of Malaysia
“SEGA”	SEGA Games Co. Ltd, a game developer and a subsidiary of SEGA SAMMY HOLDINGS INC., whose shares are listed on the Tokyo Stock Exchange (stock code: 6460), a game supplier of the Company during the Track Record Period, an Independent Third Party
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO”	Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the capital of our Company
“Shareholder(s)”	holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally approved and adopted pursuant to resolutions passed by the Shareholders on 23 December 2015, the principal terms of which are summarised in the paragraph headed “Share Option Scheme” in Appendix IV “Statutory and General Information” of this prospectus
“significant shareholder(s)”	the Shareholder(s) holding more than 5% but less than 10% interest in the Company upon Listing
“Snail Digital” or “Pre-IPO Investor”	Snail Digital (HK) Limited (蝸牛數字(香港)有限公司), our pre-IPO investor, a company incorporated in Hong Kong with limited liability on 18 June 2015 and a direct wholly-owned subsidiary of Suzhou Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司), one of our game suppliers
“STGT”	Shenzhen City Taiao Interactive Technology Limited* (深圳市泰傲互動科技有限公司), a company established in the PRC with limited liability on 13 September 2002 and was owned by Mr. Xie Jianhui (謝建輝) as to 70% and Ms. Lai Wenjuan (賴文娟) as to 30% as at 23 September 2014, the date on which STGT ceased to be our subsidiary. STGT was a party to the Structured Contracts prior to 23 September 2014

DEFINITIONS

“STGT Equity Pledge Agreement”	an equity pledge agreement dated 7 April 2010 entered into among Gameone (Shenzhen), STGT and the two individual shareholders of STGT, pursuant to which the two individual shareholders of STGT pledged their respective equity interests in STGT to Gameone (Shenzhen) as security for the rights and interest of Gameone (Shenzhen) under the STGT Exclusive Software Consulting and Service Agreement
“STGT Exclusive Software Consulting and Service Agreement”	an exclusive software consulting and service agreement dated 7 April 2010 entered into between Gameone (Shenzhen) and STGT, pursuant to which Gameone (Shenzhen) agreed to provide to STGT, inter alia, services and advices on online game in relation to technology platform for network operation and overall website software security and maintenance exclusively in return for a service income on a monthly basis from STGT
“STGT Option Agreement”	an option agreement dated 7 April 2010 entered into between Gameone (Shenzhen), STGT and the two individual shareholders of STGT, pursuant to which the two individual shareholders of STGT granted an exclusive option to Gameone (Shenzhen) (or its nominee) to acquire all equity interest in STGT held by the two individual shareholders of STGT at a consideration which shall be the lowest price permitted under the prevailing PRC laws
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Structured Contracts”	collectively, (i) the STGT Exclusive Software Consulting and Service Agreement, (ii) the STGT Equity Pledge Agreement, and (iii) the STGT Option Agreement
“subsidiary” or “subsidiaries”	has the meaning ascribed thereto under the GEM Listing Rules
“substantial shareholder(s)”	has the meaning ascribed thereto under the GEM Listing Rules
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers as approved by the SFC and as amended, supplemented or otherwise modified from time to time
“Track Record Period”	the period comprising the two years ended 31 December 2014 and the six months ended 30 June 2015
“Underwriters”	the underwriters of the Placing listed in the paragraph headed “Underwriters” in the section headed “Underwriting” in this prospectus

DEFINITIONS

“Underwriting Agreement”	the conditional underwriting agreement relating to the Placing dated 30 December 2015 and entered into among, inter alia, our Company, the Sole Sponsor and the Underwriters, particulars of which are set forth in the section headed “Underwriting” of this prospectus
“United States” or “US”	the United States of America
“US\$” or “US dollars”	United States dollars, the lawful currency of the United States
“%”	per cent

In this prospectus, the terms “associate”, “close associate”, “connected person”, “core connected person”, “connected transaction”, “controlling shareholder”, “subsidiary” and “substantial shareholder” shall have the meanings ascribed thereto under the GEM Listing Rules, unless the context otherwise requires.

In this prospectus, unless otherwise specified, amounts denominated in Renminbi, RM, US\$, NT\$ have been translated, for the purpose of illustration only, into Hong Kong dollars as follows:

HK\$1.0 = RMB0.8

HK\$1.0 = RM0.6

HK\$1.0 = US\$0.1

HK\$1.0 = NT\$4.3

Such conversions shall not be construed as representations that amounts in Renminbi, RM, Hong Kong dollars, US\$ or NT\$ were or could have been or could be converted into Renminbi, RM, Hong Kong dollars, US\$ or NT\$ (as the case may be) at such rates or any other exchange rates on such date or any other date.

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

Translated English names of PRC or Taiwan natural persons, legal persons, governmental authorities and departments, institutions, facilities, certificates, titles and the like, or any descriptions for which no official English translation exists are unofficial translations from their corresponding Chinese names and included for identification purposes only. In the event of inconsistencies, the Chinese name(s) shall prevail.

** Translated English names of Chinese authorities, institutions or entities for which no official English translation exist are unofficial translations for identification purpose only*

GLOSSARY OF TERMS

This glossary contains explanations of certain terms used in this prospectus in connection with our Group and our business. Some of these terms and their given meanings may not correspond to standard industry definitions.

“Android”	an operating system developed and maintained by Google Inc. used in touchscreen technology including, smart phones and tablets
“App”	or “application software”, a computer programme designed to run on smart-phones, tablet computers, or similar mobile devices
“ARPPU”	average revenue per paying user, calculated by dividing monthly average revenue from the sale of in-game virtual items and premium features during a certain period by the number of average MPUs during the same period
“closed beta-testing”	the delivery of the beta version of a game to a selected group of users for usability and acceptance testing
“computer network”	two or more computers connected together using a telecommunication system for the purpose of communication and sharing resources
“console games”	video games that are played through a console as opposed to a personal computer
“download”	to transfer (data or programmes) from a server or host computer to one’s own computer or device
“free-to-play”	a model used in the game industry, under which game players can play games for free, but may need to pay for in-game currency and/or in-game virtual items to enhance their gaming experience
“game(s) for publishing”	game(s) that we do not operate and solely provide our game distribution platforms and/or payment channels for publishing in Hong Kong and/or Taiwan
“in-game currency”	a kind of game token converted from credit of game distribution platform which can be used to purchase the in-game virtual items in the games
“in-game virtual items”	virtual items which enhance players’ gaming experience, by, for example, enhancing the powers, abilities or attractiveness

GLOSSARY OF TERMS

“iOS”	a mobile operating system developed and maintained by Apple Inc. used exclusively in Apple touchscreen technology including, iPhones, iPods and iPads
“licensed game(s)”	game(s) that we licensed from game developers/operators to operate and publish through game distribution platforms
“MMORPG(s)”	massively multiplayer online RPGs, in which many players participate in the same role-playing game simultaneously
“MMOSRPG”	massive multiplayer online strategy role playing game, in which many players participate in a role-playing game that contains strategic or tactical elements
“MMOTPS”	massive multiplayer online third person shooter, where a large number of players simultaneously shoot one and the other in a third-person shooter fashion
“MOBA”	multiplayer online battle arena, a subgenre of the real-time strategy (RTS) genre of games, in which a player controls a single character in one of two teams. The objective is to destroy the opposing team’s main structure with the assistance of periodically spawned computer-controlled units that march forward along set paths
“mobile games”	games that can be played on mobile devices
“MPU(s)”	monthly paying users, which is the number of paying players in the relevant calendar month. Under this metric, a player who made payments in two different games in the same month may be counted as two MPUs, depending on the game. Similarly, a player who made payment in the same game through two different payment channels in a month may also be counted as two MPUs, depending on the game. Average MPUs for a particular period is the average of the MPUs in each month during that period
“online PC game”	games that are installed and played online using a personal computer
“open beta-testing”	the delivery of the beta version of a game to all users for usability and acceptance testing
“paying user(s)” or “paying player(s)”	users who purchase in-game currency, in-game virtual items or premium features. If a user made a payment in our games on two separate publishing platforms or two different games, the user would be counted as two unique users
“PC”	Personal Computer

GLOSSARY OF TERMS

“player(s)”	with respect to our games, player(s) refers to our users
“premium features”	in-game features and services that enhance players’ in-game experience, by, for example, enabling them to advance in the game more quickly or social interaction of their game characters
“RPG”	role-playing games, which 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
“server(s)”	a computer system that provides services to other computer systems over a computer network
“self/co-developed game(s)”	game(s) that are either self-developed by our game research and development team or co-developed with other third-party game developers.
“SLG”	simulation game, where there are no strictly defined goals in the game, with players instead allowed to freely control a character
“SRPG”	Strategy RPG, RPGs that contain elements of tactical and strategy planning in the game play
“web game(s)”	games that can be played within a web browser with flash support and which do not require active installation of client software

FORWARD-LOOKING STATEMENTS

FORWARD-LOOKING STATEMENTS CONTAINED IN THIS PROSPECTUS MAY NOT MATERIALISE

This prospectus includes forward-looking statements. All statements other than statements of historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategy, 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 “believe”, “expect”, “aim”, “intend”, “project”, “will”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “would” or similar expressions or the negative thereof, are forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties 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.

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. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among others, the following:

- Future development, trends and conditions in the industry and markets in which we operate;
- Expansion, consolidation or other trends in the industry in which we operate;
- Regulations and restrictions;
- Our strategies, plans, objectives and goals;
- Exchange rate fluctuations and the developing legal system, in each case pertaining to Hong Kong and the industry and markets in which we operate;
- Macroeconomic measures taken by Hong Kong and/or the Taiwan governments to manage economic growth;
- Our business prospects;
- The competition for our business activities and the actions and development of our competitors;
- Financial condition and performance of our Group;
- Our dividend policy;
- Changes to our expansion plans and use of capital expenditures; and

FORWARD-LOOKING STATEMENTS

- Realisation of the benefits of our business plans and strategies.

We believe that the sources of information and assumptions contained in such forward-looking statements are appropriate sources for such statements and have taken reasonable care in extracting and reproducing such information and assumptions. We have no reason to believe that information and assumptions contained in such forward-looking statements are fake or misleading or that any fact has been omitted that would render such forward-looking statements fake or misleading in any material respect.

The information and assumptions contained in the forward-looking statements have not been independently verified by us, the Controlling Shareholders, the Sole Sponsor, the Joint Lead Managers, the Underwriters, any other party involved in the Placing or their respective directors, officers, employees, advisers or agents and no representation is given as to the accuracy or completeness of such information or assumptions on which the forward-looking statements are made. Additional factors that could cause actual performance or achievements of our Group to differ materially include, but are not limited to, those discussed under the section headed “Risk factors” and elsewhere in this prospectus.

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

These forward-looking statements are based on current plans and estimates, and apply only as at the date they are made. We undertake no obligation to update or revise any forward-looking statements in light of new information, future events or otherwise. Forward-looking statements involve inherent risks and uncertainties and are subject to assumptions, some of which are beyond our control. We caution you that a number of important factors could cause actual outcomes to differ, or to differ materially, from those expressed in any forward-looking statement.

RISK FACTORS

Potential investors should carefully consider all of the information set out in this prospectus before making any investment decision in relation to the Placing Shares. You should pay particular attention to the fact that our Company is incorporated in the Cayman Islands and we have operations conducted outside Hong Kong and are governed by a legal and regulatory environment which in some respects may differ from that in Hong Kong. If any of the risks described below actually occur, our business, financial condition or results of operations could be materially adversely affected, the value of our Shares could decline, 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 related to our business; (ii) risk related to our industry; and (iii) risks related to the Placing. You should consider our business and prospects in light of the challenges we face, including the risk factors discussed in this section.

RISKS RELATED TO OUR BUSINESS

Our relatively short history in developing, operating and publishing mobile games makes it difficult to evaluate our prospects and future financial performance.

We have a relatively short history in developing, operating and publishing mobile games. Prior to the Track Record Period, our Directors anticipated that there would be a rising demand on mobile games in Hong Kong and Taiwan, and therefore we started to allocate more resources to the operation of self/co-developed mobile games and licensed mobile games.

We had an accumulated loss of approximately HK\$16.0 million as at 1 January 2013, mainly attributable to (i) the listing expenses incurred in relation to our previous listing application; and (ii) the non-recurring impairment losses primarily resulted from the termination of certain online PC game development projects in order to focus our resources on mobile games, in the two years immediately prior to the Track Record Period.

Since then, our revenue from operating self/co-developed and licensed mobile games increased to HK\$16.3 million in 2013 and further increased to HK\$41.6 million in 2014.

Moreover, we incurred other expenses of approximately HK\$14.2 million in 2013 primarily attributable to (i) a HK\$10.6 million impairment on our intangible assets as a result of certain online PC games and web games not achieving the expected level of paying players; and (ii) a HK\$2.7 million written-off of an amount due from a joint venture as a result of disposal of the joint venture during the year. With less non-recurring other expenses incurred in 2014 than that in 2013 and the increase in revenue from operating self/co-developed and licensed mobile games in 2014 due to the shift of our strategic focus, we managed a turnaround in our business from a net loss of approximately HK\$9.6 million in 2013 to a net profit of approximately HK\$7.0 million in 2014.

We launched our first self-developed mobile game in 2013 which marked the beginning of our transition and focus from developing, operating and publishing of online PC games to mobile games. The percentage of revenue generated from mobile games increased from approximately 23.7% in 2013

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to approximately 52.8% in 2014, and further increased to approximately 84.0% during the first half of 2015. Our short history in developing, operating and publishing mobile games makes it difficult to effectively assess our future prospects and future financial performance. As part of our growth strategy, we intend to continue to focus on mobile games and to meet the evolving needs of our players. The new games we may offer in the future present further operating and marketing challenges. In addition, the markets for mobile games are highly competitive. If we fail to successfully develop and/or license new games in this competitive market, we may not be able to capture the growth opportunities associated with these new games or recover the costs associated with developing and marketing such games, which may materially and adversely affect our business, financial condition, results of operations and growth strategies.

A small number of games have generated a majority of our revenue, and we must continue to launch games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position.

A small number of games have contributed a majority of our revenue during the Track Record Period. Our top five highest revenue generating games in each reporting period contributed approximately 80.0%, 75.4% and 80.3% of our total revenue in the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015, respectively. As a result, our growth depends largely on our ability to consistently develop and/or launch new games that achieve significant popularity.

It is difficult to consistently anticipate player demand on a large scale. Furthermore, the launch timing of our new games has a significant impact on the performance and popularity of these games. If we launch our new games at the same time as other popular games developed by third parties, the competition may make it difficult to attract new players to our new games and our distribution and publishing partners may also commit fewer resources to promoting our games. If we do not successfully develop and/or launch games that attract and retain a significant number of players or launch new games during a favourable market condition, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to extend licenses for our existing licensed games or introduce new licensed games, which will materially and adversely affect our revenue.

For the two years ended 31 December 2013 and 2014, and for the six months ended 30 June 2015, approximately 70.6%, 65.3% and 78.3% of our revenue were respectively derived from operating licensed games. It is therefore essential to maintain a good business relationship with our game licensors to ensure continued smooth operations of the licensed games. In addition, for games that we operate, we rely on our licensors to provide technical support and updates, which is essential to sustain interest in the licensed games.

Most of the license agreements do not contain an automatic renewal clause. Therefore upon expiry, there is no guarantee that the licensor will renew the license, or renew the license under terms acceptable to us. We further face challenges in identifying for new high-quality games and securing licenses under profitable and acceptable terms.

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If we fail to maintain good relationships with our licensors, renew the licenses for our existing licensed games or introduce new licensed games, our business and results may be materially and adversely affected.

We rely on a limited number of game licensors who may compete with us, and our operations may be adversely affected if we cannot seek replacement in a timely manner.

During the Track Record Period, our five largest suppliers, most of whom being our game licensors and third-party game distribution and payment channel services providers, accounted for approximately 42.7%, 46.1% and 70.3% of our total purchase respectively for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015. Our largest supplier for the year ended 31 December 2013 and six months ended 30 June 2015, being a third-party game licensor, accounted for approximately 15.8% and 28.1% of our total purchase for the respective periods.

Although we have entered into written agreements with our game licensors, there can be no assurance that we are able to maintain business relationships with them. They may terminate the arrangements with us in accordance with the provisions of the written agreements or elect not to renew the written agreements upon expiry. Moreover, they may fail to meet standards required by us. If any of these events occur, we may not be able to locate alternative supply promptly and on comparable commercial terms.

Furthermore, since most of the game licensors are also game operators and developers, the game licensor may also be our competitor in the game market. It is possible that the game licensor may decide to directly operate the game themselves instead of granting us the license. There is no assurance that they will agree to grant us license to their best game products. Our inability to source suitable games for publishing on our game distribution platforms could result in our business operations being interrupted or discontinued, players may lose confidence in or even cease playing our games or using our services, and our profit and business operations may be adversely affected.

If we are unable to extend the relatively short expected game life of our mobile games or if our games do not maintain their popularity during their expected life cycle, our business, financial condition, results of operations and prospects could be material and adversely impacted.

Our Directors are of the view that a mobile game has an average game life of three to six months if we failed to introduce new elements appealing to players to continue to play. As a result, when a game begins to reach the late stage of its expected life cycle, the amount of revenue it generates may start to plateau or decrease. We actively try to extend the game life of our self/co-developed games. For licensed games, periodic updates are carried out by the licensor in accordance with the license agreement.

However, even if we successfully extend the game life of some or even most of our games, we may not be able to maintain or increase the profitability of such games indefinitely. In addition to extending the game life of our games, we must also continually develop new game features or updates that are attractive to a significant number of players, which we may not be able to do.

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Constant enhancement or upgrading requires the investment of significant resources. There is no assurance that the changes to or introduction of new game features will be welcomed by players, who may cease playing the existing games because of these changes.

Any failure to extend the life cycle of our games, develop new game features or updates or maintain the popularity of our existing games could have a material and adverse effect on our business, financial condition, results of operations and prospects.

Our intangible assets are one of the principal components of our total assets. If the game operated by us was not well anticipated by our game players and ceased operation before its expected game life or agreed term of license agreement, the impairments to be made on our intangible assets would materially and adversely affect our results of operations, financial conditions and business prospects.

Our intangible assets, which were primarily made up of the license fees we paid to third-party game developers/operators for our licensed games to operate in Hong Kong and/or Taiwan, accounted for approximately 18.1%, 25.3% and 21.4% of our total assets as at 31 December 2013 and 2014 and 30 June 2015, respectively. Our results of operations have been, and will continue to be, affected by the impairment of our intangible assets which was made when our Directors are of the view that some of self/co-developed and licensed games could not achieve the expected level of paying players since the launch of the games. The impairments on our intangible assets of approximately HK\$10.6 million, HK\$0.4 million and nil recognised in the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, were primarily attributable to cessation of certain online PC games and web games during the years as a result of the shift of our strategic focus from online PC games and web games to mobile games to align ourselves with the market trend of the game industry in Hong Kong and Taiwan. Our net profit would therefore be subject to the impairments on intangible assets which were primarily subject to the expected profitability and popularity of our games.

There can be no assurance that we are able to self/co-develop or obtain licensed games that gain significant popularity. If the games operated by us are not well anticipated by our game players and ceased the operation before its expected game life or agreed term of license agreement, the impairments to be made on our intangible assets would materially and adversely affect our results of operations, financial conditions and business prospects.

We may not be able to maintain a high gross profit margin in the future.

For the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, we have attained gross profit margins of approximately 43.1% 43.4% and 49.7%, respectively.

There is no assurance that games that historically contributed high levels of revenue and gross profit margin will continue to do so in the future. Furthermore we cannot assure that we will continue to maintain our current gross profit margin if our cost of services rendered increases as a result of, amongst other factors, an increase in service fees charged by our suppliers, including channel fees and

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royalty expenses. In particular, as our focus shift towards mobile games, our costs to third-party game distributors and channel fess will increase, thereby reducing our gross profit margin. In addition, there is no assurance that our strategy to focus on development of mobile games will succeed if we are unable to recruit sufficient number of qualified and suitable staff.

A majority of our revenue are generated from the sale of in-game virtual items in operating self/co-developed games and licensed games and if we are unable to effectively market the in-game virtual items in these games, or if we need to change our revenue model in the future, our revenue, operations, financial conditions and business prospects could be materially and adversely affected.

All of our games are offered on a free-to-play basis. Our revenue is primarily derived from the sale of in-game virtual items in operating self/co-developed games and licensed games. During the Track Record Period, income generated from game operation accounted for approximately 93.9%, 94.8% and 98.1% of our revenue for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, respectively. Our revenue would therefore depend on our ability to attract players to play our game, and more importantly, to purchase in-game virtual items.

There is a risk that we may not be able to effectively market the in-game virtual items of our self/co-developed games or licensed games, or such in-game virtual items fails to attract our players to purchase. Moreover, such business model requires us to develop and/or license games that encourage players to spend money in purchasing in-game virtual items. Should we fail to develop or introduce games that match with our current business model, our revenue, operations, financial conditions and business prospects could be materially and adversely affected.

Furthermore, we cannot assure you that the revenue model that we have adopted for any of our games will continue to be optimal or that in the future we may need to switch our revenue model or introduce new revenue models. We may have difficulties in effectively adjusting to a new revenue model because we have adopted such 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 material adverse consequences, including disruption to our game operations, criticism from game 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 game players, or decrease in revenue we generate from our games.

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

Our new games, usually in the form of mobile games, may attract players away from existing games, which can either be mobile games, online PC games or web games. Players may spend less money on in-game currency or in-game virtual items of existing game and focus on the new games. As a result, our revenue from existing games may materially decrease. The occurrence of the above may have a material adverse impact on our business, financial performance and results of operations.

Our growth prospects will suffer if we are unable to continue to implement our game development strategy focusing on mobile games, or any of our other business plans and objectives.

The number of people that access the internet through mobile devices, such as smartphones and tablets has continued to increase in recent years. To capitalize on the anticipated growth potential

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offered by the booming mobile game market, we launched our first mobile game Game B in 2013. The continued success of *The Ravages of Time (mobile version)* (火鳳燎原手機版) since its launch in 2013 is proof of this strategy. However, it is difficult to predict whether we will continue to succeed in developing and operating mobile games that appeal to mobile game players. We may not be able to continuously identify, develop, operate and upgrade games that are suitable for rapidly evolving mobile devices and platforms in a timely and cost-effective manner.

We face various risks and uncertainties as a result of our strategic decision to focus on the development of mobile games. Such risks and uncertainties include:

- given the fast pace in the development of mobile game technologies, we may not be able to continuously develop, upgrade and publish mobile games that are suitable for the rapidly evolving mobile devices and platforms effectively and cost-efficiently, or at all;
- given the short game-life of mobile games, we may not be able to anticipate and respond to changing interest of mobile game players, or effectively market our mobile games to attract new players; and
- we may not be able to continuously upgrade our technology and infrastructure to support increased player traffic and expand our mobile game portfolio or maintain the system stability.

It will be difficult to assess whether we will succeed in implementing our strategy and continue to develop commercially viable games for mobile devices and platforms in the future due to reasons beyond our control, such as manufacturers and developers of mobile devices may introduce new technologies or restrictive terms and conditions to limit the distribution of mobile games on their devices. There is no assurance that our other future business plans will materialize, or that it will be within the planned time frame, or that it will be fully or partially accomplished. In the event that we fail in any of the above aspects we may not be able to achieve our planned business growth, and our operating results will be adversely affected.

Any failure to continue to implement our strategy and/or future plans will materially and adversely affect our business and growth prospects. In addition, if the costs associated with developing our mobile game business exceed revenue generated, it will have a negative impact on our profitability.

We face risks associated with the licensing of our games to other geographical locations, and if we are unable to effectively manage these risks, our ability to expand our business to other geographic locations could be impaired.

As at the Latest Practicable Date, we licensed one self/co-developed game to third-party game operators in geographic locations other than Hong Kong and Taiwan. We may further license our existing and new games in more countries or regions in the future. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, revenue contributed by our game distributors in other geographic locations accounted for approximately 2.3%, 1.2% and 0.3% of our total revenue respectively.

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Licensing our games to other geographic locations exposes us to a number of risks and challenges, including:

- to identify and maintain good business relationship with local game distribution platforms that has the knowledge and ability to effectively publish our games in their respective market;
- to negotiate licensing agreements with terms that are commercially acceptable to us with local game publishers, as well as enforcing those terms and renewing the same in the geographic location;
- to develop, update and adjust the licensed games to cater for the local game market, which involves challenges in terms of cultural difference and language translation, as well as competition with other local games;
- whether we can maintain or extend our business reputation, given the games will be published in another geographic location with different standards and expectations;
- the protection of our intellectual property rights in that geographic location, and the related costs;
- the use of third-party payment channels used by the local distributor and auditing of royalties that we are entitled to receive;
- compliance with local laws and regulations in terms of game content and other restrictions and tax matters; and
- managing foreign currency risks.

If we are not able to manage the above as well as other unforeseeable risks, our ability to expand into other geographical locations will be adversely affected, which may in turn affect our business, financial condition, results of operations and prospects could be materially and adversely.

We face risks associated with sub-licensing of game development rights to third-party game developers. If we are unable to effectively manage these risks, our ability to effectively utilize our development rights will be adversely affected.

During the Track Record Period, we have sub-licensed three of our game development rights to third-party game developers. Pursuant to the sub-licensing agreement, we would provide certain intellectual properties, such as sketches of the characters, to our sub-licensee for game development. While we limit the right of usage for associated intellectual properties, there is no assurance that our sub-licensee will comply with these limitations and the sub-licensee may infringe or abuse the sub-licensed rights during game development. These risks may include:

- wrongful or improper use of the intellectual property;

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- further sub-licensing of intellectual property without our/original owner's consent;
- incorporating into the game certain intellectual properties belonging to others without their consent or approval;
- using the intellectual property for developing products other than that stated in the sub-licensing agreement; and
- registration of the intellectual property which the owner did not/cannot register in certain jurisdictions.

The above list is not exhaustive. Whilst we will monitor the game development progress and issue warning letters to sub-licensee should any infringements identified for their correction, there is no assurance that our sub-licensee fully comply. If we are not able to effectively manage these risks, our ability to effectively utilize our development rights will be adversely affected. Should our sub-licensee be found abusing the sub-licensed rights or infringing the intellectual property rights of the original owner, or the intellectual property of another, we may lose our game development right. In addition, the original owner of the infringed intellectual property may take legal actions against us and the sub-licensee. If we are found liable, it may have an adverse impact on our business reputation, significantly disrupting our business operation, game development and the stability of our financial situations.

If we are unable to accurately assess our operating performance through certain key performance indicators, our ability to form appropriate business growth strategies may be impaired and our business, financial condition, results of operations and prospects may be materially and adversely affected.

We assess our operating performance using a set of key performance indicators, which include MPUs and ARPPU. Capturing accurate data is subject to various limitations, as is true with many internet companies. For example, we may need to collect certain data from third-party distribution platforms or other third parties, which limits our ability to verify the reliability of such data, or we may not be able to collect any data from third parties at all.

The key operating performance indicators we use may not always reflect our actual operating performance. Similarly, we may incorrectly assess our key operating performance indicators and in turn make incorrect operational and strategic decisions. Failure to capture accurate data or an incorrect assessment of this data may materially harm our business and operating results.

In addition, our game development business is data driven and we rely on our data analytics capability to continue developing popular games, improve game experience and enhance monetization of our games. Our game development teams collect and store certain player behaviour data. However, if they fail to collect or retain certain data, we may not have the data we need to conduct our data analysis. If there is a delay in collecting player behaviour data, the data may not be able to accurately or fairly reflect the latest player behaviour 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. Furthermore, our data analytics methodology may not be as effective as expected and fail to capture the latest market trends and player preferences.

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If any of the above occurs, our business, financial condition, results of operations and prospects may be materially and adversely affected.

Any unauthorized use of our brand name or any other intellectual property by competitors or third parties, and the expenses incurred in protecting such intellectual property rights, may adversely affect our business and reputation.

We regard our copyrights, service marks, trademarks, trade secrets and other intellectual property belonging to us or granted for our use, as well as the intellectual property right of the developed game, as critical to our success. We believe that we have developed “Gameone” into a strong and well-established brand. Our continuing success and growth therefore depends on our ability to protect and promote our brand, our game development rights, our intellectual property in the developed game, the intellectual property granted for our game development use, and other intellectual property rights.

We generally rely on trademark and copyright law and confidentiality agreements with our employees, business partners and others to protect our intellectual property rights. In addition, we would issue warning letters to other game developers to demand correction of their infringement of our intellectual rights or those granted for our use, or face legal actions. Generally, these game developers will correct or retract the items in issue after receiving our warning letter. Unauthorised use of our intellectual property and those granted for our game development use by third parties may adversely affect our business and reputation. As a result, competitors and other third parties may create brand logos or invent keywords that are confusingly similar to our brand logo in internet search engine programs in order to divert potential users from us to their websites.

Despite our precautions, it may be possible for third parties to obtain and use our intellectual property without authorisation. Preventing such unauthorized use is inherently difficult. If we are unable to prevent such unauthorized use, competitors and other third parties may drive potential players away from our game distribution platform, which could harm our reputation and materially and adversely affect our results of operations.

Furthermore, the validity, enforceability and scope of protection of intellectual property in internet-related industries are uncertain and still evolving. Litigation may be necessary in the future to enforce our Group’s intellectual property rights to protect our trade secrets or to determine the validity and scope of the proprietary rights of others. Future litigation could result in substantial costs and diversion of resources.

We cannot assure the contents of the licensed games are free from programming errors and/or intellectual property infringements and there is no assurance that our business operations will not infringe any patents, valid copyrights or other intellectual property rights held by third parties in the future.

Our licensed games may contain undetected programming errors or infringe third-party intellectual property rights. We have no control over the content nor the game programming of the licensed games, or the schedule or content of their updates and upgrades, as these remained in the control of the licensor. Moreover, there is no assurance that the contents of the licensed games will

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be well received by the market. Furthermore, we may be subject to claims and legal proceedings from time to time relating to the use of intellectual property of others in our self/co-developed games, as well as the licensed games developed from game development rights that we sub-licensed to third-party game developers. If we are found guilty, we may be prohibited from using such intellectual property, as well as paying licensing fees or forced to alter the contents of our self/co-developed games. We may further be subject to fines and penalties in relation to such violations. Substantial time and money will be expended to defend against such claims, regardless of their merits. In addition, our employees may have installed or used software infringing other's intellectual property rights and we will be liable for their deeds. We did not encounter any legal claims relating to patents, copyrights, trademarks or other intellectual property rights held by third parties concerning our self/co-developed games or licensed games during the Track Record Period and subsequent periods up to the Latest Practicable Date. There is no assurance that we or any of our game licensors will not be alleged for infringing the patents, copyrights, trademarks or other intellectual property rights held by third parties and involve in claims and proceedings from time to time in the future. Should any of the above realize, it may materially disrupt our business operation, game development, and stability of our financial situations.

We receive, process, and store personal information of players in the course of our business. This is subject to governmental rules and regulations regarding privacy. Any failure in compliance with such obligations may materially affect our business and reputation.

We receive, process and store personal information of players when they create their game accounts. Laws regarding privacy and the storing, sharing, use, processing, disclosure and protection of personal information and other player data on the internet and mobile platforms are changing rapidly and subject to interpretations in different jurisdictions, which may not be consistent. Any failure or perceived failure by us to comply with our privacy policies, our privacy related obligations to players or third parties, or our privacy related legal obligations or any compromise in security that may result in unauthorised access, release or transfer of personally identifiable information or data may result in governmental enforcement actions, litigations, or public sanctions against us by players. Any loss of trust or confidence by our players may have a long term adversarial effect on our business and reputation.

We rely on key personnel and our business may be severely disrupted if we lose the services of our key executives and employees.

Our future success is heavily dependent upon the continued service of our key executives, particularly Mr. Sze, our executive Director and Mr. Hong, our non-executive Director. We rely on their expertise in our business operations and strategy. If one or more of our Group's key executives and employees are unable or unwilling to continue in their present positions, we may not be able to replace them easily and our business may be severely disrupted. In addition, if any of our key executives or employees joins a competitor or forms a competing company, we may lose customers and suppliers and incur additional expenses to recruit and train personnel.

Each of our Group's executive officers has entered into an employment agreement with confidentiality undertakings with our Group. However, the degree of protection afforded to an employer pursuant to confidentiality undertakings under the laws of Hong Kong and other jurisdictions may be limited.

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Our Group also relies on a number of key staff members for our game operation and development. Given the competitive nature of the industry, the risk of key staff members leaving our Group is high and could have a disruptive impact on our operations.

For details of working experience of Mr. Sze and Mr. Hong, please refer to the section headed “Directors and Senior Management” in this prospectus.

We may encounter external interruptions such as hacking or cheating. Any interruption to our services may material and adversely affect our reputation and results of operations.

We may face the challenge of external interruption, for example, parties unrelated to us may develop programmes to interrupt the operation of our games; players may also develop programmes or use other means such as hacking and cheating to infringe upon the game accounts of other users in order to gain unfair in-game advantages. Whilst we have implemented quality management system and offer customer service to our players, we may not be able to meet or conform to players’ requirements on rectification of defects and elimination of external interruptions in our games in a timely manner. We may incur additional costs in rectifying the defects or eliminating external interruptions or defending any legal proceedings and/or claims brought by our users. We do not carry any insurance against claims or liabilities of such nature. Continued hacking and cheating activities may adversely affect the image of our games and players perception of reliability of our games and our game distribution platforms. The occurrence of undetected errors or defects in our games, and our failure to discover and eliminate the external interruptions could disrupt our operations, damage our reputation and weaken players’ confidence in us, and may adversely affect our sales performance, financial condition and results of operations.

We did not experience any occurrence of material undetected programming errors and defects and external interruptions during the Track Record Period.

Any defects, disruptions or other problems affecting the functioning of our server infrastructure or information technology systems could materially and adversely affect our business.

Our server infrastructure and technology systems are vulnerable to damages caused by fire, flood, power loss, telecommunications failures, computer virus, hacking and similar events. Any defects or problems with our server infrastructure or information technology systems could significantly disrupt our business operations, which deteriorates the quality and access to our games. If we cannot solve such problems quickly will affect players’ perception towards the reliability and stability of our game systems. The satisfactory performance and stability of our server infrastructure and information technology systems are therefore critical to the gaming experience of our players, which are in turn critical for attracting new game players.

We may in the future experience disruptions, outages and other performance problems due to a variety of factors, including:

- our growing operation will put increasing pressure on our servers and network capacities as we launch more games and increase the size of our player base;

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- we may encounter problems when upgrading our systems or services, which could adversely affect the performance of the software we use to provide our services;
- we may be subject to hacking or other attacks on our server infrastructure and information technology systems may cause malfunctions, loss or corruption to our hardware and software;
- we rely on third-party service providers for certain key aspects of our infrastructure and information technology systems, including the storage and maintenance of our servers and collection of online payments, and any disruptions or other problems with their services are out of our control and may be difficult for us to remedy; and
- our server infrastructure could be damaged or interrupted as a result of earthquakes, floods, fires, extreme temperatures, power loss, telecommunications failures, technical error, computer viruses and similar events.

We anticipate to continue making investments in our technology infrastructure to maintain and improve all aspects of player experience and game performance when such demand arises. To the extent that our disaster recovery systems are not adequate, or we do not effectively address capacity constraints, upgrade our systems as needed and continually develop our technology and network architecture to accommodate increasing traffic, our business, financial condition, results of operations and prospects may suffer.

The successful operation of our business and future growth in accommodating new players much depend on the reliability and performance of our internet service providers. Any disruption or deterioration in the internet connection services may adversely affect our business, financial condition and results of operations.

Our business operation depends on our ability to publish our games through the internet. We rely on third parties in providing internet connection to support our game publishing business. Any interruption in their internet connection or the deterioration of their performance could impair the quality of our services to players. Furthermore, if our arrangements with any of these internet service providers are terminated, invalidated, or modified against our interest, we may not be able to find alternative services or solutions on a timely basis or on terms favourable to us. If any of these events occurs, our business operations may be interrupted, our business may be disrupted or even be discontinued, and our business, financial condition and results of operations could be materially and adversely affected.

We did not encounter any material disputes with our network suppliers and none of the service arrangements with our service suppliers were terminated by them during the Track Record Period. Furthermore, if there are any interruptions in the operation of our games due to unexpected server interruptions, network failures or other factors, users may be prevented or deterred from making payments through our game portfolio, which may also result in significant decreases in our revenue.

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

We rely on a number of payment collection channels, including payment channels of third-party distribution platforms, to collect a significant portion of our revenue. If any of the major payment service providers were to become unable or unwilling to settle the receivable in a timely manner or at all, the liquidity of our business could be adversely affected and they may have to write off receivables or increase provisions against bad debts, which may in turn affect revenue we are entitled to receive. Also, if any of such payment service providers were to become unable or unwilling to provide payment processing services, including processing payments made with credit cards and debit cards, our business, financial condition, results of operations and prospects could be materially and adversely affected.

Players logging on in different jurisdictions may expose us to potential regulatory and litigation risks in different jurisdictions detrimental to our business operations and financial performance.

We publish our games through our game distribution platforms which are accessible in Hong Kong, Taiwan, and anywhere in the world. During the course of game-play, players may engage in highly personalized exchanges and involve in emotionally charged situations which may result in adverse moral, emotional or even physical consequences. Such occurrences may be publicized and have a negative impact on our reputation. Local government authorities may require us to restrict or discontinue services leading to such events, exposing us to potential litigation risks and/or regulatory restrictions.

In the case where any additional legal or regulatory requirement is imposed, we may need to allocate additional management attention and financial resources to comply with such requirement and we cannot guarantee that we can divert sufficient resources or adjust our current business operations to comply with the new regulatory regime in a timely manner. Our failure to comply with legal and regulatory requirements in time could subject us to penalties. In addition, we may be subject to complaints or lawsuits from our game players with respect to their game playing experience.

Any breach of law or regulation in the jurisdictions in which we operate (i.e. Hong Kong and Taiwan) or any claim against us by our game players could result in substantial amount of management attention and financial resources being diverted from our operations to the handling of such complaint and litigation, and our business, financial conditions and results of operations could be adversely affected.

As at the Latest Practicable Date there had been no occurrence or claims regarding player's behaviour. Should it occur in the future our business operations and financial performance will be adversely affected.

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We are subject to client complaints in the course of our operations.

Given the nature of the game industry and subjective views on the level of satisfaction of our services provided, on occasions, we are susceptible to complaints associated with our services. Common client complaints include (i) unsatisfactory results of our services, such as loss of connection etc.; (ii) disputes over top-up of platform credits/in-game currency or the exchange into in-game virtual items; and (iii) unsatisfactory staff services.

During the Track Record Period, several complaints were made by our game players to the relevant consumer protection authorities in Hong Kong and Taiwan. The complaints involved (i) technical errors such as unsuccessful game credit top-ups or in-game purchases/gift redemption, which were subsequently resolved after the technical errors had been fixed; and (ii) discontinued game operation/publishing arrangements, which we resolved by migrating the complainant's account to other games of their choice operated by us. During the Track Record Period, none of the complaints substantiated into litigation against us.

Regardless of merit of the claims, we need to divert management resources and incur extra costs to handle these complaints and possible litigation matters which could affect our corporate image and reputation in the industry if they were widely published by the media. In certain circumstances, we may settle the complaints with our clients which may result in financial losses to us. In addition, we have not purchased any professional indemnity insurance for claims relating to losses arising from our services. A successful liability claim against us can result in legal costs which in turn, can affect our revenue, results of operation and financial condition.

We may need additional capital and may not be able to obtain it.

We believe that our current cash and cash equivalents, cash flow from operations and the proceeds from the Placing will be sufficient to meet our anticipated cash needs for the foreseeable future. We may, however, require additional cash resources due to changing market and business conditions or other future developments. If these resources are insufficient to satisfy our cash requirements, we may seek to issue additional equity or debt securities or obtain a credit facility. Our ability to obtain external financing in the future may be subject to a variety of uncertainties, including our future financial condition, results of operations and cash flow, our share price performance and the liquidity of local and international capital markets. Historically, we have financed our working capital through cash from our business operations such as royalties received. Accordingly, our liquidity and financial condition could be materially and adversely affected if we do not receive payments on a timely basis to satisfy payments to our licensors and suppliers and other working capital requirements, or if we are unable to obtain financing on satisfactory terms. In addition, the issuance of additional equity securities could result in dilution to the shareholding of our Shareholders. Debt financing may contain operating and financing covenants that would restrict our operations. There will be no assurance that the above financing will be available in a timely manner or in amounts or on terms acceptable to us, if at all.

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The interests of our Controlling Shareholders may not align with those of our Shareholders.

Mr. Wong and Ms. Wong, are our Controlling Shareholders with an approximate control of 41.74% of our issued capital upon completion of the Placing (without taking account into any Shares which may be issued upon exercise of the Offer Size Adjustment Option or any share which may be issued upon exercise of any options which may be granted under the Share Option Scheme). Accordingly, they will be able to exert significant control and influence over our business and on matters of significance to us and other Shareholders by voting at the general meetings of Shareholders.

There is no assurance that the Controlling Shareholders will not prevent us from taking actions or exercising our rights under agreements that are beneficial to us. When conflicts of interests arises between the our other Shareholders with our Controlling Shareholders, our Controlling Shareholders may prevent or delay us from entering into transactions that are desirable to other Shareholders, such as takeovers or changes in control or management of our Company, losing opportunities on the part of other Shareholders.

There is no assurance that our Controlling Shareholders will act entirely in our interest or that conflicts of interests will be resolved in our favour. The interests of our Controlling Shareholders may differ from the interests of our other Shareholders and our Controlling Shareholders are free to vote according to their needs.

We failed to comply with the permitted use of the premises that is being used as our office in Hong Kong.

Unit A, 21/F North Point Industrial Building, No. 499 King's Road, North Point, Hong Kong (the "**Hong Kong Leased Property**") is being used by us as head office and office for development and operation of mobile games, online PC games and web games (the "**Actual Use**"). The Actual Use does not comply with the permitted use as specified in the relevant government lease, occupation permit, deed of mutual covenant and tenancy agreement. For details of the non-compliance and its legal consequences, please refer to the paragraph headed "Risk Management and Non-Compliance" in the section headed "Business" in this prospectus.

In the event that any government authority exercises the right to re-enter the Hong Kong Leased Property or the landlord of the Hong Kong Leased Property exercises the right to terminate the tenancy agreement and re-enters the Hong Kong Leased Property, we will be required to relocate our office in Hong Kong to another premises and incur relocation costs. If it takes longer than we expect to identify other premises to be used as our office in Hong Kong, we may experience business interruption as a result of relocation.

If we are liable to pay fines and/or we suffer losses and damages as a result of the breach of the permitted use of the Hong Kong Leased Property, and that the indemnity given by PCIL and Mr. Sze does not indemnify us to a sufficient extent or at all, our financial position may be adversely affected.

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Fluctuations in exchange rates could result in foreign currency exchange losses.

We generate revenue from players in countries and regions outside Hong Kong, who make in-game purchases in foreign currencies through our distribution and publishing. As a result, we are exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the New Taiwan dollar. We also pay royalties and licensing fees for foreign developed games, which are in Japanese Yen. In addition, we receive royalties for our self-developed games that are distributed in other regions, mainly in Renminbi. We have not make any hedging arrangements to reduce our exposure to exchange rate fluctuations between Hong Kong dollars and other currencies. This is because the cost of such hedging instruments may fluctuate significantly over time and can outweigh the potential benefit from the reduced currency volatility. As at the Latest Practicable Date, we have not entered into any hedging transactions in an effort to reduce our exposure 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.

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

During the course of playing our games, some in-game virtual items in the form of special equipment, performance-enhancing items etc., are acquired and accumulated. These items may be valuable to game-play or even monetary value, albeit that it only exists in the virtual game world. In practice, in-game virtual items can be lost for various reasons, but usually associated with unauthorised use of game accounts or data loss caused by delay in network services, network crash or hacking. Currently there is no law in Hong Kong or Taiwan that governs the property rights of virtual assets. As a result, it is uncertain who is the legal owner of a in-game virtual item, whether and how such ownership is protected by law and whether as operator we have any liability to players or other interested parties for the loss of the in-game virtual item. If it were considered an asset or certain contractual rights, game players may claim us for damages. If found liable, our business reputation, financial conditions and results of operations may be negatively affected. We cannot assure you virtual assets related law suits will not be brought against us in the future.

RISKS RELATED TO OUR INDUSTRY

The mobile game, online PC game and web game industries are highly competitive. If we are unable to compete effectively, our business, financial condition, results of operations and prospects will be materially and adversely affected.

The mobile game, online PC game and web game industries are highly competitive. The market for game development is relatively concentrated with increasing competition in recent years. Competition from other game developers, based in Hong Kong, Taiwan, China as well as overseas, is likely to increase in the future. In addition, while we believe that the mobile game industry is currently fragmented with no clear market leaders, we cannot assure you that we will be able to compete effectively in the future.

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Some of our competitors, especially major foreign and PRC listed game operators, have significantly greater financial and marketing resources and name recognition than we have. Moreover, the game industries in Hong Kong and Taiwan are constantly evolving, and unforeseen changes in these industries may prove to be more advantageous to certain competitors than they will be to us. In particular, any of these competitors may offer products and services that provide significant 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 this game market segment in the future. They may also be able to leverage their own highly established brands, high organic user traffic and other assets in developing 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 mobile game and web game industries. 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, game licensing, and development resources.

Increased competition in the mobile game, online PC game and web game industries in Hong Kong and Taiwan may make it more difficult for us to retain existing players and attract new players. In addition, players face a vast array of entertainment choices. Other forms of entertainment or other internet-based activities such as social networking and online video, as well as offline games and activities such as television, movies and sports, are much larger and more well-established markets and may be perceived by our users to offer greater variety, affordability, interactivity and enjoyment. Our games compete against these other forms of entertainment for the discretionary time and spending of our players. Further, we also compete for players with various other offline games, such as TV console games, as well as various other forms of traditional entertainment. If we are unable to compete effectively, our business, financial condition, results of operations and prospects may be materially and adversely affected.

There are uncertainties regarding the future growth of the game industry especially mobile games, in Hong Kong, Taiwan and other markets, as well as the market acceptance of our games

The game industry, from which we derive the majority our revenue, is a relatively new and evolving industry. The growth of the game industry and the level of demand and market acceptance of our games are subject to a high degree of uncertainty. We consider that our future operating results will depend on numerous factors affecting the game industry, many of which are beyond our control, including, among others:

- The growth of smartphone and tablet users in Hong Kong, Taiwan and other markets which our games are published, and the rate of such growth;
- whether the game industry, particularly in Hong Kong, Taiwan and other markets which our games are published by third-party game operators, continues to grow and the rate of any such growth;

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- the availability and popularity of alternative forms of entertainment, particularly games of console systems, which are already popular in Hong Kong and Taiwan;
- change in consumer demographics and public tastes and preferences;
- the popularity of new games game type, game characters, and in-game virtual items that our competitors launch and distribute; and
- the general economic conditions and the availability and discretion of spending on non-essentials such as acquiring in-game virtual items, etc.

Therefore, our ability to anticipate and efficiently adapt to changes of preferences of players will significantly affect our plans in terms of game development and marketing and promotion. There is no assurance that our games will continue to be popular in Hong Kong, Taiwan or elsewhere, nor the popularity of playing mobile games and online games will continue. A decline in the popularity of mobile games or online games could adversely affect our business and prospects.

The game industry is subject to rapid technological changes which may render our games obsolete or unattractive to our users. If we fail to anticipate or successfully implement new technologies, our games may become obsolete or uncompetitive, and our business, financial conditions, results of operations and prospects could be materially and adversely affected.

We anticipate that there will be an emergence of new technologies and games. New technologies in game programming or operations could render the games that we develop or plan to develop obsolete or unattractive to players, thereby limiting our ability to recover development costs and potentially adversely affecting our future profitability and growth prospects. In addition, government authorities or industry organizations may adopt new standards that apply to game development. We also need to invest significant financial resources in game research and development to keep up with the pace of technological advances.

Moreover, while it typically takes a period of a few months to one year from the inception of a game idea to launch, game development is inherently uncertain, and our significant investment in technology may not generate corresponding benefits. If we fall behind in adopting new technologies or standards, our existing games may lose popularity, and our newly developed games may not be well received by our players. In addition, we may incur significant cost overruns in game development, which would materially and adversely affect our business, financial condition, results of operations and prospects.

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RISKS RELATED TO THE PLACING

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

Prior to the Listing, there has been no public market for the Shares. The Placing Price for the Shares will be the result of negotiations between the Sole Global Coordinator (on behalf of the Underwriters) and our Company, and may differ from the market prices for the Shares after the Listing. We have applied to the Stock Exchange for the listing of, and permission to deal in, the Shares. However, there can be no assurance that the Listing will result in the development of an active and liquid public trading market for the Shares. The market price, liquidity and trading volume of the Shares may be volatile. There can be no assurance as to the ability of holders to sell their Shares or the price at which the Shares can be sold. As a result, Shareholders may not be able to sell their Shares at prices equal to or greater than the price paid for their Shares under the Placing. Factors that may affect the volume and price at which the Shares will be traded include, among other things, variations in our sales, earnings, cash flows and costs, announcements of new investments, and changes in laws and regulations in Hong Kong or Taiwan. There is no assurance that these developments will not occur in the future. In addition, shares of other companies listed on the Stock Exchange with significant operations and assets in Hong Kong have experienced price volatility in the past, and it is possible that the Shares may be subject to changes in price not directly related to our performance.

Purchasers of the Shares will experience immediate dilution and may experience further dilution if we issues additional Shares in the future.

The Placing Price of the Shares is higher than the net tangible asset value per Share issued to existing holders of our Shares. Therefore, you and other purchasers of the Shares in the Placing will experience an immediate dilution in pro forma net tangible asset value and existing holders of our Shares will receive an increase in net tangible asset value per Share.

In order to expand our business, we may consider offering and issuing additional Shares in the future. Purchasers of the Shares may experience dilution in the value of net tangible assets per Share if we issue additional Shares in the future at a price which is lower than our net tangible assets value per Share.

There may be dilution because of the issuance of Shares pursuant to the options granted under the Share Option Scheme.

We may grant share options to eligible participants under the Share Option Scheme, who may be employees, senior management and Directors. Further details of the Share Option Scheme are summarised in “Appendix IV — Statutory and General Information — Other information — 14. Share Option Scheme”. The exercise of share options under the Share Option Scheme will result in an increase in the number of Shares, and may result in a dilution to the percentage of ownership of the shareholders of our Company, the earnings per Share and net asset value per Share depending on the

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exercise price. Any issuance of new Shares upon exercise of the options granted under the Share Option Scheme will also lead to a dilution of our earnings per Share and net asset value per Share because the number of Shares outstanding will be increased as a result of such issuance.

Future sales by our current shareholders of a substantial number of the Shares in the public market could materially and adversely affect the prevailing market price of the Shares.

Future sales of a substantial number of the Shares by our current shareholders, or the possibility of such sales, could negatively impact the market price of the Shares and our ability to raise equity capital in the future at a time and price that it deems appropriate. The shares held by the Controlling Shareholders are subject to certain lock-up undertakings for periods ending six to twelve months after the date on which trading in the Shares commences on the Stock Exchange, details of which are set out in the section headed “Underwriting” in this prospectus. While our Directors are not aware of any intentions of the Controlling Shareholders to dispose of significant amounts of their Shares after the end of the lock-up periods, there is no assurance that they will not dispose of any Shares they may now own or in the future.

Forward-looking information may prove inaccurate.

This prospectus contains forward-looking statements and information relating to our operations and prospects that are based on our current beliefs and assumptions as well as information currently available to us. When used in this prospectus, the words “anticipate,” “believe,” “estimate,” “expect,” “plans,” “prospects” and similar expressions, as they relate to our business, are intended to identify forward-looking statements. Such statements reflect our Directors’ current beliefs with respect to future events and are subject to risks, uncertainties and various assumptions, including the risk factors described in this prospectus. Should one or more of these risks or uncertainties materialise, or should any of the underlying assumptions or information prove incorrect, actual results may diverge significantly from the forward-looking statements in this prospectus. We do not intend to update these forward-looking statements beyond adhering to on-going disclosure obligations pursuant to the GEM Listing Rules or other requirements of the Stock Exchange.

You may face difficulties in enforcing your Shareholder rights because we are incorporated in the Cayman Islands under Cayman Islands Company Law, which differs with Hong Kong laws and may provide the same level of remedies or protection to minority shareholders.

Our Company’s corporate affairs are governed by our Memorandum and Articles of Association, and by the Companies Law and the common law of the Cayman Islands. Cayman Islands Company Law relating to the protection of the interests of minority shareholders differs in some respects from that established under statutes and under judicial precedents in other jurisdictions. This may mean that the remedies available to our Company’s minority shareholders may be different to those they would have under the laws of Hong Kong or other jurisdictions. Please see Appendix III to this prospectus for a Summary of the Constitution of our Company and the Cayman Islands Company Law.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS

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

PLACING SHARES ARE FULLY UNDERWRITTEN

This prospectus sets out the terms and conditions of the Placing, and is published solely in connection with the Placing which is sponsored by the Sole Sponsor and managed by the Sole Global Coordinator. The Placing Shares are fully underwritten by the Underwriters subject to the terms and conditions of the Underwriting Agreement (including but not limited to the Company and the Sole Global Coordinator (for itself and on behalf of the Underwriters) agreeing on the Placing Price). For further details about the Underwriters and the Underwriting Agreement, please refer to the section headed "Underwriting" in this prospectus.

RESTRICTIONS ON SALE OF THE PLACING SHARES

Each person acquiring the Placing Shares will be required to confirm, or be deemed by his/her/its acquisition of the Placing Shares to have confirmed that he/she/it is aware of the restrictions on offers and sales of the Placing Shares described in this prospectus.

No action has been taken to permit any public offering of the Placing Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. This prospectus may not be used for the purpose of, and does not constitute, an offer or invitation, nor is it circulated to invite to solicit offers in any jurisdiction other than Hong Kong or in any circumstances in which such offer or invitation is not authorised or to any person to whom it is unlawful to make such an offer or invitation. Persons who possess this prospectus are deemed to have confirmed with our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers and the Underwriters that such restrictions have been observed.

The Placing Shares are offered solely on the basis of the information contained and representations made in this prospectus. No person is authorised to give any information in connection with the Placing or to make any representation not contained in this prospectus, and any information or representation not contained in this prospectus must not be relied upon as having been authorised by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents, staff or advisers or any other person involved in the Placing.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

Prospective applicants for the Placing Shares should consult their financial advisers and take legal advice, as appropriate to inform themselves of, and to observe, all applicable laws and regulations of any relevant jurisdiction. Prospective applicants for the Placing Shares should inform themselves as to the relevant legal requirements and any applicable exchange control regulations and applicable taxes in the countries of their respective citizenship, residence or domicile.

STRUCTURE AND CONDITIONS OF THE PLACING

Further details of the structure and conditions of the Placing are set out in the section headed “Structure and Conditions of the Placing” of this prospectus.

APPLICATION FOR LISTING ON GEM

Application has been made to the Listing Division for the listing of, and permission to deal in, the Shares in issue and to be issued pursuant to the Capitalization Issue and the Placing (including Shares which may be issued pursuant to the Offer Size Adjustment Option and any Shares which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme) on GEM.

No part of the share capital of our Company is listed or dealt in on any other stock exchange and no such listing or permission to deal is being or is proposed to be sought.

Under section 44B(1) of the Companies (WUMP) Ordinance, any allotment made in respect of any application will be void if the permission to list the Placing Shares on GEM is refused before the expiration of three weeks from the date of the closing of the Placing, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by or on behalf of the Stock Exchange.

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 at least 25% of the total issued share capital of our Company in the hands of the public.

Only securities registered on the branch register of members of our Company kept in Hong Kong may be traded on GEM unless the Stock Exchange otherwise agrees.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on or about 13 January 2016. Shares will be traded in board lots of 4,000 each.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Subject to the granting of listing of, and permission to deal in, the Shares on GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the Shares on GEM or on 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.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

All necessary arrangements have been made for the Shares to be admitted into CCASS. If you are unsure about the details of CCASS settlement arrangements and how such arrangements will affect your rights and interests, you should seek advice from your stockbrokers or other professional advisers.

PROFESSIONAL TAX ADVICE RECOMMENDED

If you are unsure about the taxation implications of the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares, you should consult your professional adviser. It is emphasised that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Joint Lead Managers, the Underwriters, any of their respective directors, agents or advisers or any other person involved in the Placing accepts responsibility for any tax effects on or liabilities of any person resulting from the subscription for, purchase, holding or disposal of, dealing in, or the exercise of any rights in relation to the Shares.

REGISTER OF MEMBERS AND STAMP DUTY

All the Placing Shares will be registered on our Company's branch share register to be maintained in Hong Kong by Tricor Investor Services Limited, Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong. Our principal register of members will be maintained in the Cayman Islands by Maples Fund Services (Cayman) Limited, P.O. Box 1093, Boundary Hall, Cricket Square, Grand Cayman KY1-1102, Cayman Islands.

Dealings in the Shares registered on our Company's Hong Kong branch register of members will be subject to Hong Kong stamp duty. The sale, purchase and transfer of Shares are subject to Hong Kong stamp duty, the current rate of which is 0.2% of the consideration or, if higher, the value of the Shares being sold or transferred.

Unless our Company determines otherwise, dividends payable in HK dollars in respect of the Shares will be paid at the Shareholder's risk to the registered address of each Shareholder or, in the case of joint holders, the first-named holder.

ROUNDING

Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

INFORMATION ABOUT THIS PROSPECTUS AND THE PLACING

EXCHANGE RATE CONVERSION

Solely for your convenience, this prospectus contains translations of certain Renminbi, RM, NT\$ and/or US dollar amounts into Hong Kong dollar amounts or vice versa at specified rates. You should not construe these translations as representations that Renminbi, RM, NT\$ and/or US dollar amounts could actually be converted into Hong Kong dollar amounts or vice versa at the rates indicated or at all. For the purpose of this prospectus, unless we indicate otherwise, the translation of Hong Kong dollar amounts into Renminbi amounts have been made at the rate of HK\$1.0 to RMB0.8, the translation of Hong Kong dollar amounts into US dollar amounts have been made at the rate of HK\$1.0 to US\$0.1, the translation of Hong Kong dollar amounts into RM amounts have been made at the rate of HK\$1.0 to RM0.6 and the translation of Hong Kong dollar amounts into NT\$ amounts have been made at the rate of HK\$1.0 to NT\$4.3.

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

Name	Address	Nationality
<i>Executive Directors</i>		
Sze Yan Ngai (施仁毅) (Chairman)	Flat G, 8th Floor Pine Mansion, Harbour View Garden 26 Taikoo Wan Road Taikoo Shing Hong Kong	Chinese
Lam Kin Fai (林堅輝)	Room 1007 On Kong House Cheung On Estate Tsing Yi, New Territories Hong Kong	Chinese
<i>Non-executive Directors</i>		
Wong Pui Yain (黃佩茵)	Flat A2, 8/F Evergreen Villa 43 Stubbs Road Happy Valley Hong Kong	Chinese
Hong Ming Sang (項明生)	2nd Floor 62 Denon Terrace Tseng Lan Shue Clear Water Bay Road Sai Kung, New Territories Hong Kong	Chinese
<i>Independent non-executive Directors</i>		
Yung Kai Tai (容啟泰)	Flat G, 28th Floor, Block T41 Lotus Mansion 6 Taikoo Wan Road Quarry Bay Hong Kong	British
Fung Ying Him Anthony (馮應謙)	Flat F, 26/F Yee On Building 26 East Point Road Causeway Bay Hong Kong	Canadian
Iu Tak Meng Teddy (余德鳴)	Flat A, 18/F Fu Chak Yuen 18 Chi Fu Road Pok Fu Lam Hong Kong	Chinese

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

For further information, please refer to the section headed “Directors and Senior Management” of this prospectus.

PARTIES INVOLVED IN THE PLACING

Sole Sponsor

China Everbright Capital Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities (as defined under the SFO)

Sole Global Coordinator and Sole Bookrunner

China Everbright Securities (HK) Limited

36/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

Joint Lead Managers

China Everbright Securities (HK) Limited

36/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

Convoy Securities Limited

Room 1406-1412, 14/F, Nan Fung Tower
88 Connaught Road Central
Central, Hong Kong

a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity

Underwriters

China Everbright Securities (HK) Limited

36/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

a licensed corporation under the SFO to engage in type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities

DIRECTORS AND PARTIES INVOLVED IN THE PLACING

	<p>Convoy Securities Limited Room 1406-1412, 14/F, Nan Fung Tower 88 Connaught Road Central Central, Hong Kong</p> <p><i>a licensed corporation under the SFO to engage in type 1 (dealing in securities) regulated activity</i></p>
<p>Legal advisers to our Company as to Hong Kong law</p>	<p>Mayer Brown JSM 16th-19th Floors, Prince's Building 10 Chater Road Central Hong Kong</p>
<p>Legal advisers to our Company as to PRC law</p>	<p>Shu Jin Law Firm 12/F, Tai Ping Finance Tower Yitian Road 6001, Futian District Shenzhen PRC</p>
<p>Legal advisers to our Company as to Taiwan law</p>	<p>Lee and Li, Attorneys-at-law 7th Floor 201, Tun Hua N. Road Taipei, 105 Taiwan</p>
<p>Legal advisers to our Company as to Cayman Islands and British Virgin Islands law</p>	<p>Maples and Calder 53rd Floor The Center 99 Queen's Road Central Hong Kong</p>
<p>Legal advisers to the Sole Sponsor and Underwriters as to Hong Kong law</p>	<p>Sidley Austin 39/F Two Int'l Finance Centre Central Hong Kong</p>
<p>Auditors and reporting accountants</p>	<p>BDO Limited <i>Certified Public Accountants</i> 25th Floor, Wing On Centre 111 Connaught Road Central Hong Kong</p>

CORPORATE INFORMATION

Registered Office	Maples Corporate Services Limited PO Box 309, Ugland House Grand Cayman, KY1-1104 Cayman Islands
Head office and principal place of business in Hong Kong	Unit A, 21/F North Point Industrial Building No. 499 King's Road North Point Hong Kong
Compliance officer	Sze Yan Ngai Flat G, 8th Floor Pine Mansion, Harbour View Garden 26 Taikoo Wan Road Taikoo Shing Hong Kong
Company secretary	Chan Man Kay (<i>HKICPA</i>) Flat A, 7/F Block 6 Whampoa Garden Site 4 Palm Mansions 7 Shung King Street Hung Hom Kowloon Hong Kong
Authorised representatives (for the purpose of the GEM Listing Rules)	Lam Kin Fai Room 1007, On Kong House Cheung On Estate Tsing Yi, New Territories Hong Kong Chan Man Kay (<i>HKICPA</i>) Flat A, 7/F Block 6 Whampoa Garden Site 4 Palm Mansions 7 Shung King Street Hung Hom Kowloon Hong Kong
Audit committee	Iu Tak Meng Teddy (<i>Chairman</i>) Yung Kai Tai Fung Ying Him Anthony

CORPORATE INFORMATION

Remuneration committee	Yung Kai Tai (<i>Chairman</i>) Fung Ying Him Anthony Iu Tak Meng Teddy
Nomination committee	Sze Yan Ngai (<i>Chairman</i>) Fung Ying Him Anthony Iu Tak Meng Teddy Yung Kai Tai
Cayman Islands principal share registrar and transfer office	Maples Fund Services (Cayman) Limited P.O. Box 1093, Boundary Hall Cricket Square Grand Cayman KY1-1102 Cayman Islands
Hong Kong branch share registrar and transfer office	Tricor Investor Services Limited Level 22 Hopewell Centre 183 Queen's Road East Hong Kong
Principal banks	Hang Seng Bank 83 Des Voeux Road Central Central, Hong Kong China Merchants Bank 1st Floor, Jin Feng Cheng Building 5015 Shennan Road Lo Wu District Shenzhen, PRC The Shanghai Commercial & Savings Bank, Ltd. 81-2, Hsin Tai 5th Rd., Sec. 1 Hsichih, New Taipei City, Taiwan
Compliance adviser	Innovax Capital Limited Office 1, 1st Floor Lucky Building 39 Wellington Street Central Hong Kong
Company website address	www.gameone.com.hk <i>(The information contained in this website does not form part of this prospectus)</i>

INDUSTRY OVERVIEW

The information presented in this section is derived from various official government publications and other publications and from the market research report prepared by Ipsos, which was commissioned by us, unless otherwise indicated. We believe that the sources of such information are appropriate and we have taken reasonable care in extracting and reproducing such information. We have no reason to believe that such information is 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. The information has not been independently verified by us, the Sole Sponsor, the Sole Global Coordinator, the Joint Lead Managers or any other party involved in the Placing and no representation is given as to its accuracy. The information and statistics may not be consistent with other information and statistics compiled within or outside of Hong Kong or Taiwan.

INTRODUCTION

We have commissioned Ipsos, an independent market research company, to analyse and report on the industry development, trends and competitive landscape of the online PC and mobile games industry in Hong Kong and Taiwan for the period from 2010 to 2019 at a fee of HK\$480,000. Our Directors are of the view that the payment of the fee does not affect the fairness of the conclusions drawn in the Ipsos Report.

Ipsos is an independent market research company and is one of the largest research companies in the world, employing approximately 16,000 personnel worldwide across 85 countries. Ipsos conducts research on market profiles, analysis on market size, share and segmentation, distribution and value analysis, competitor tracking and corporate intelligence.

In compiling the Ipsos Report, Ipsos obtained and gathered data and intelligence by: (a) conducting desk research covering government and regulatory statistics, industry reports and analyst reports, industry associations, industry journals and other online sources and data from the research database of Ipsos; (b) performing client consultation to obtain background information of our Company; and (c) conducting primary research by interviewing key stakeholders and industry experts and undertaking an online consumer survey. The information and statistics set forth in this section have been extracted from the Ipsos Report.

The information and data gathered by Ipsos have been analysed, assessed and validated using Ipsos' in-house analysis models and techniques. The methodology used by Ipsos is based on information sourced from multiple levels, which allows such information to be cross-referenced for accuracy.

INDUSTRY OVERVIEW

ASSUMPTIONS AND PARAMETERS

The following assumptions are used in the Ipsos Report:

- The global supply and demand of online PC games and mobile games provided by the online and mobile games industry are assumed to be stable and without shortage from 2010 to 2014.
- It is assumed that no external shocks such as financial crises or natural disasters will affect the demand and supply of the online PC and mobile games industry over the forecast period.

The following parameters are used in the market sizing and forecast model in the Ipsos Report:

- GDP and GDP growth rates in Hong Kong and Taiwan from 2010 to 2019.
- Average annual household disposable income in Hong Kong and Taiwan from 2010 to 2019.
- Average annual household consumption expenditure in Hong Kong and Taiwan from 2010 to 2019.
- Internet penetration rate and number of users in Hong Kong and Taiwan from 2010 to 2019.
- Broadband internet penetration rate and the number of users in Hong Kong and Taiwan from 2010 to 2019.
- Mobile penetration rate, 3G/4G mobile internet penetration rate and the number of users in Hong Kong and Taiwan from 2010 to 2019.

The Directors and the Sole Sponsor believe such projections and data to be reliable and not misleading in all material respects on the basis that Ipsos is an independent professional research agency with extensive experience in their profession and the Company has no immediate plan to expand in the PRC.

INTERNET AND MOBILE INDUSTRY IN HONG KONG AND TAIWAN

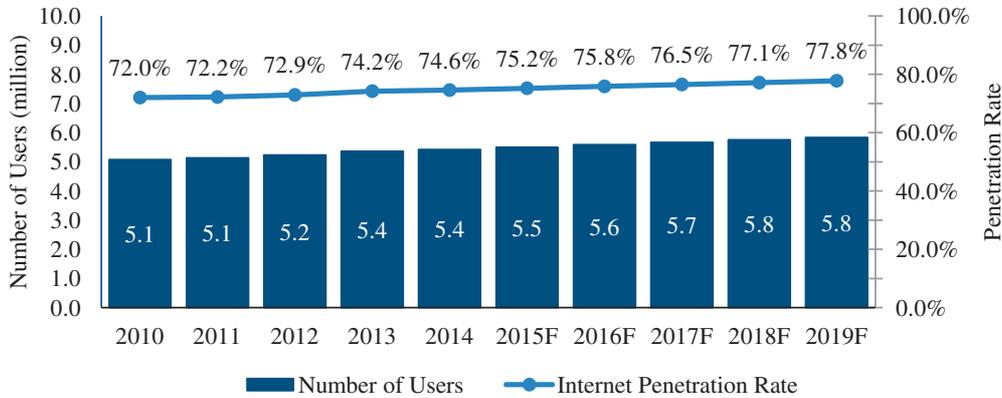
Hong Kong

The internet penetration rate* in Hong Kong experienced a gradual increase from 72.0% in 2010 to 74.6% in 2014. During the same period, the number of users rose from 5.1 million to 5.4 million, at a CAGR of approximately 1.6%. Looking ahead to 2019, the internet penetration rate is envisaged to grow at a slower pace, rising from 75.2% in 2015 to 77.8% in 2019. Meanwhile, the number of users is estimated to increase from 5.5 million in 2015 to 5.8 million in 2019, at a CAGR of approximately

* *Note:* Internet penetration rate refers to the percentage of the total population reported to having used the internet in each year.

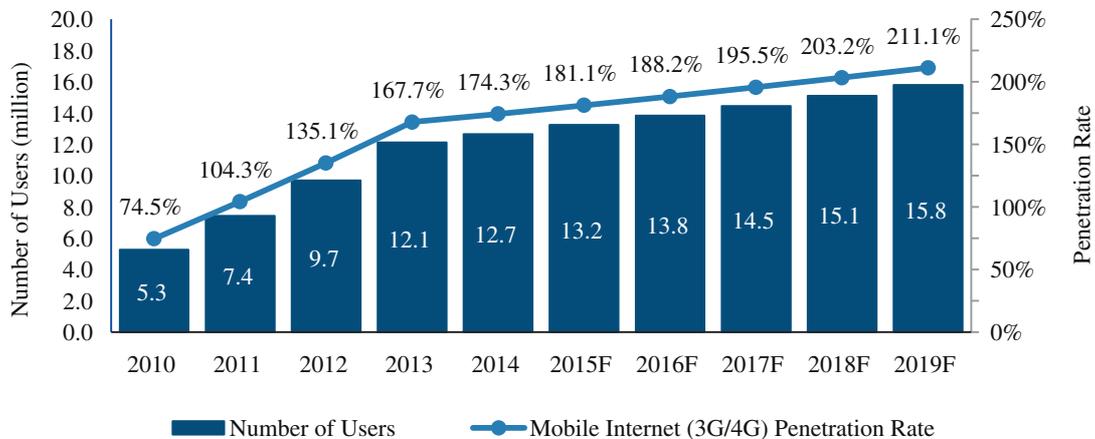
INDUSTRY OVERVIEW

1.5%. The rise in penetration and number of users is due to the price competition amongst Internet service providers (ISPs) which has lowered the price of internet services. The graph below sets forth the internet penetration rate and number of users in Hong Kong from 2010 to 2014 and forecast from 2015 to 2019:



Sources: UN International Telecommunication Union (ITU)

The graph below sets forth 3G/4G mobile internet penetration rate and number of users in Hong Kong from 2010 to 2014 and forecast from 2015 to 2019:



Source: Census and Statistics Department, HK SAR.

The 3G/4G mobile internet penetration rate, in Hong Kong rose from 74.5% in 2010 to 174.3% in 2014*. The penetration rate exceeds 100.0% because some individuals have more than one mobile phone or tablet. The number of users rose from 5.3 million to 12.7 million during the same period, at a CAGR of approximately 24.6%. From 2015 to 2019, the 3G/4G mobile internet penetration rate is forecasted to grow moderately. Meanwhile, the number of users is forecasted to grow at a CAGR of approximately 4.5%, from 13.2 million to 15.8 million between 2015 and 2019. The high ownership

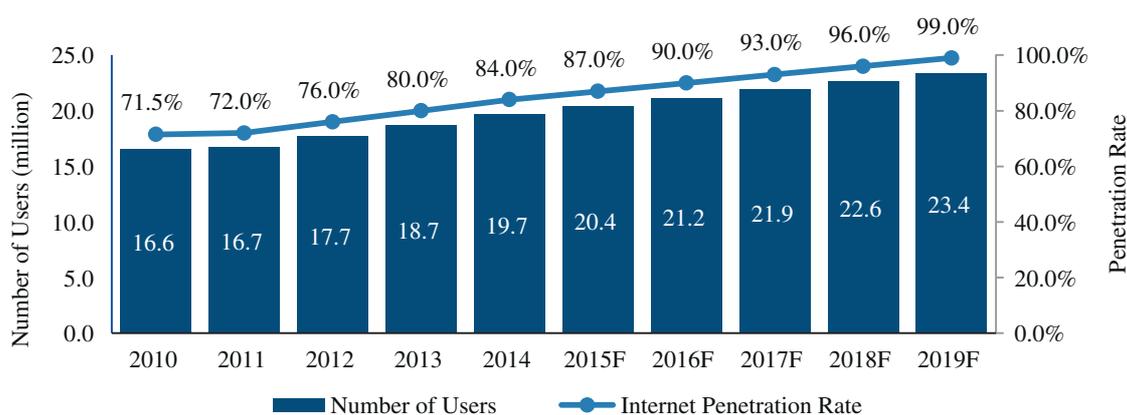
* Note: 3G/4G mobile internet penetration rate refers to the number of users as a proportion of the total population. The number of users includes 3G/4G registered customers, pre-paid users, and 3G/4G public mobile service users.

INDUSTRY OVERVIEW

rate of smartphones leads to users having a higher tendency to use 3G/4G mobile internet in order to utilize the functions of smartphones, including mobile games. The sales value of smartphones in Hong Kong grew from approximately HK\$6.0 billion in 2012 to approximately HK\$6.1 billion in 2013, despite a decrease in number of units purchased from 1.6 million to 1.4 million. As for tablets, the sales volume increased from approximately HK\$1.1 billion in 2012 to approximately HK\$1.7 billion in 2013, while the sales volume of tablets increased from approximately 243.0 thousand units in 2012 to approximately 480.0 thousand units in 2013.

Taiwan

The internet penetration rate in Taiwan increased from 71.5% in 2010 to 84.0% in 2014. During the same period, the number of users rose from 16.6 million to 19.7 million, at a CAGR of approximately 3.3%. From 2015 to 2019, the internet penetration rate is expected to rise from 87.0% to 99.0%, while the number of users is forecasted to rise from 20.4 million in 2015 to 23.4 million in 2019, at a CAGR of approximately 3.4%. The growth of internet penetration is the result of an advanced telecommunication infrastructure which allows individuals access to the internet at competitive prices. The graph below sets forth the internet penetration rate*¹ and number of users in Taiwan from 2010 to 2014 and forecast from 2015 to 2019:



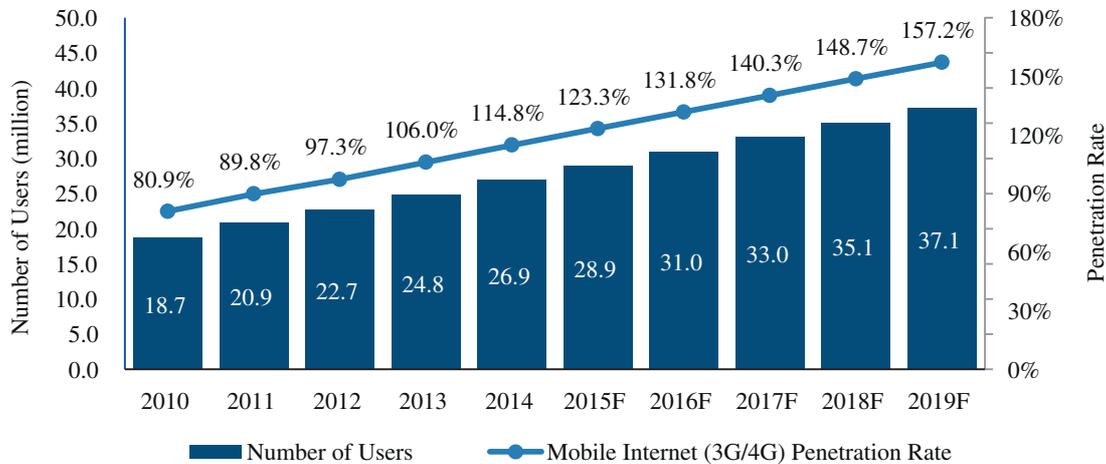
Source: National Statistics, Taiwan; UN International Telecommunications Union (ITU)

Notes:

*¹: Internet penetration rate refers to the percentage of the total population reported to having used the internet in each year.

INDUSTRY OVERVIEW

The graph below sets forth 3G/4G mobile internet penetration rate and number of users in Taiwan from 2010 to 2014 and forecast from 2015 to 2019:



Source: National Statistics, Taiwan

3G/4G mobile internet penetration rate*² in Taiwan increased from 80.9% in 2010 to 114.8% in 2014, and this rate is predicted to continue increasing up to 157.2% in 2019. The number of users increased from 18.7 million in 2010 to 26.9 million in 2014, representing a CAGR of approximately 9.4%. It is forecast that the number of 3G/4G mobile internet users will grow from 28.9 million in 2015 to 37.1 million in 2019, at a more moderate CAGR of 6.4%. The growth was driven by mobile phone network providers offering unlimited data usage plans, which proved highly popular amongst consumers. Smartphone shipments in Taiwan increased from 7.6 million units in 2013 to 9.7 million units in 2014, showing a growth of 27.6%. There was an increasing preference for larger size devices which are more suitable for mobile gaming, with smartphones between 5.5 and 7.0 inches in size accounting for approximately one third of Taiwan's total smartphone shipments. Smartphone and tablets shipments are expected to continue to increase from 2015 to 2019, but the growth rate is projected to be slower as the Hong Kong and Taiwan markets are maturing with penetration rates over 100.0%.

ONLINE PC GAME MARKET IN HONG KONG AND TAIWAN

In Hong Kong and Taiwan, there are two major types of game platforms: (i) local online PC game distribution websites and (ii) global game distribution platforms. These platforms provide services on a per-account basis and they include installation, updating of games and community features such as chat functions and friends lists for social networking.

The online PC game market in Hong Kong and Taiwan share three revenue generating methods:

- **Pay-to-play/subscription:** In terms of the pay-to-play model, players are required to make a one-time payment in order to gain access to the game. With subscriptions, players are required to pay on a periodic basis (typically monthly).

*²: 3G/4G mobile internet penetration rate refers to the number of 3G/4G users as a proportion of the total population.

INDUSTRY OVERVIEW

- **Selling of in-game currency/in-game virtual items:** Players can play the basic features of the online PC games for free, however, in order to access premium features or obtain virtual goods, they need to purchase in-game currency or in-game virtual items.
- **In-game advertisement:** online PC game developers and publishers generate revenue by allowing third parties to post advertisements on their pages or in the game.

The game playing experience, playing period and spending or consumption behaviour of a paying player in an online PC game is generally not affected by the payment channels that the end user uses to purchase platform credit, in-game virtual currency and in-game virtual items.

Digital distribution has become the mainstream method of delivering online PC games to players due to the convenience to players and the popularity of the item-based revenue model where the game can initially be obtained free of charge.

In Hong Kong, the actual and estimated numbers of paying online PC game players were approximately 157,900 in 2014 and 158,300 in 2015, respectively, accounting for approximately 38.7% of the total number of online PC game players both in 2014 and 2015. In Hong Kong, the actual and estimated numbers of non-paying online PC game players were approximately 250,200 in 2014 and 250,700 in 2015, respectively, accounting for approximately 61.3% of the total number of online PC game players both in 2014 and 2015. In Taiwan, the actual and estimated numbers of paying online PC game players were approximately 574,700 in 2014 and 577,500 in 2015, respectively, accounting for approximately 47.5% of the total number of online PC game players both in 2014 and 2015. In Taiwan, the actual and estimated numbers of non-paying online PC game players were approximately 635,200 in 2014 and 638,300 in 2014, respectively, accounting for approximately 52.5% of the total number of online PC game players both in 2014 and 2015. The most popular online PC games in Hong Kong and Taiwan by number of players are generally well-known international games such as FIFA series and Diablo series although several locally developed and published online PC games are within the top ten games by number of players.

MOBILE GAME MARKET IN HONG KONG AND TAIWAN

Mobile games are downloaded from digital distribution platforms, such as the Apple Inc.'s App Store and Google's Google Play. Mobile game developers can list their games on third-party distribution platforms, such as the Google's Google Play, or via their own distribution platforms. Similar to the online PC game market, the mobile game market in Hong Kong and Taiwan has three revenue generating methods: pay-to-play/subscription, selling of in-game currency/in-game virtual items, and in-game advertisement. The game playing experience, playing period and spending or consumption behaviour of a paying player in a mobile game is generally not greatly affected by the payment channels (i.e. Google's Google Play, App Store, or other third-party payment platforms) that the end user uses to purchase platform credits, in-game currency or in-game virtual items.

In Hong Kong, the actual and estimated numbers of paying mobile game players were approximately 297,900 in 2014 and 298,500 in 2015, respectively, accounting for approximately 12.0% of the total number of mobile game players both in 2014 and 2015. In Hong Kong, the actual and estimated numbers of non-paying mobile game players were approximately 2,184,600 in 2014 and

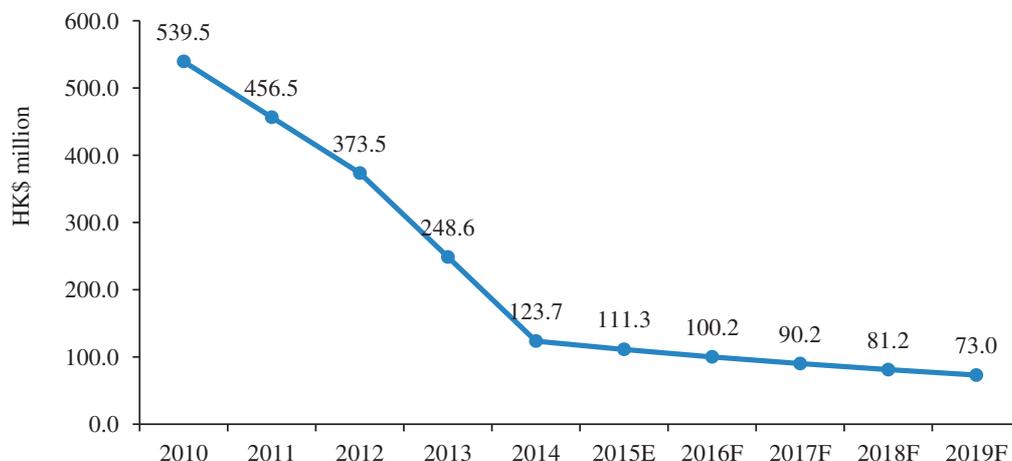
INDUSTRY OVERVIEW

2,189,000 in 2015, respectively, accounting for approximately 88.0% of the total number of mobile game players both in 2014 and 2015. In Taiwan, the actual and estimated numbers of paying mobile game players were approximately 2.3 million in 2014 and 2.4 million in 2015, respectively, accounting for approximately 20.0% of the total number of mobile game players both in 2014 and 2015. In Taiwan, the actual and estimated numbers of non-paying mobile game players were approximately 9.4 million both in 2014 and 2015, accounting for approximately 80.0% of the total number of mobile game players both in 2014 and 2015. Popular mobile games, particularly in the RPG category, are generally Traditional Chinese language games published by Hong Kong or Taiwan mobile game companies.

ONLINE PC GAME OPERATION/PUBLISHING INDUSTRY IN HONG KONG

The estimated revenue of online PC games which was generated from games operated/published in Hong Kong by locally based companies experienced a 30.8% CAGR decrease from 2010 to 2014, from HK\$539.5 million in 2010 to HK\$111.3 million in 2015. The decline was largely a result of players increasingly playing mobile games. In the near future, it is expected that the revenue of online PC games in Hong Kong will decrease but at a much slower rate due to the remaining loyal customer base of online PC game enthusiasts. However, it is also likely that PCs will be replaced by tablets over the medium term which could further reduce the revenue of online PC games.

The graph below sets forth the estimated revenue of online PC games which was generated from games operated/published in Hong Kong by locally based companies from 2010 to 2015:



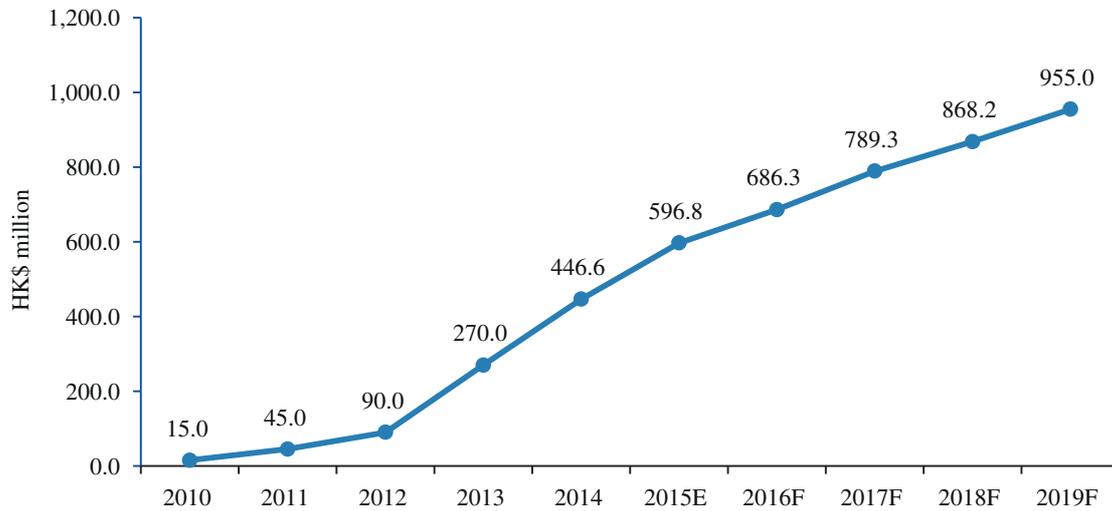
Source: Ipsos Research and Analysis

The major entry barriers to the online PC and mobile games publishing industry in Hong Kong include insufficient ability to invest in game technology, including investment in both hardware and software, to compete against established companies. This is especially crucial as the technical requirements for game operation become more complex and requires increasing levels of investment. In addition, new entrants may find it difficult to form relationships that enable the securing of development rights for popular literature, comics and animations which are attractive to local game players. Online PC and mobile games publishing companies are also required to recruit sufficient technical expertise and new entrants may have inadequate resources to recruit staff with a high level of technical expertise. This issue will be magnified if there is a shortage of qualified workers.

INDUSTRY OVERVIEW

MOBILE GAME OPERATION/PUBLISHING INDUSTRY IN HONG KONG

The graph below sets forth the estimated revenue of mobile games which was generated from game operated/published in Hong Kong through various channels including on paid-for download games, in-app purchased, subscription, and point-card purchases from 2010 to 2019:



Source: Ipsos Research and Analysis

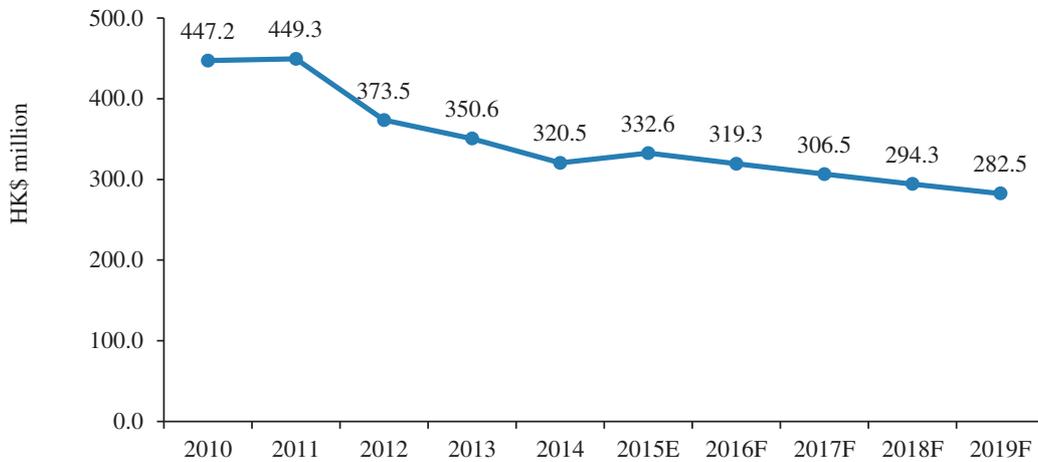
The estimated revenue of mobile games, which was generated from game operated/published in Hong Kong through various channels including on paid-for download games, in-app purchased, subscription, and point-card purchases, rose rapidly from approximately HK\$15.0 million in 2010 to approximately HK\$444.6 million in 2014, representing a CAGR of approximately 133.6%. The higher penetration of smartphones capable of playing was the major driver of this increase. Looking forward from 2015 to 2019, the increasing trend of the number of smartphone users and 3G/4G mobile internet users is expected to continue to increase, but the growth rate is projected to be slower in Hong Kong. Mobile games revenue is also projected to grow at a slower CAGR of approximately 12.5% from HK\$596.8 million in 2015 to HK\$955.0 million in 2019.

ONLINE PC GAME OPERATION/PUBLISHING INDUSTRY IN TAIWAN

The estimated revenue of online PC games which was generated from game operated/published in Taiwan by locally based companies experienced a decreasing CAGR of 8.0% from 2010 to 2014, from HK\$447.2 million in 2010 to HK\$320.5 million in 2014. The decline was attributed to the players shifting from online games to mobile games. Looking ahead 2019, it is projected that the revenue of online PC games in Taiwan will continue to decrease at a less rapid rate of approximately 4.0% CAGR, due to the remaining loyal customer base of online PC game enthusiasts. The growing popularity of tablets in Taiwan indicates that PCs may be replaced by tablets in the future, which could potentially further reduce the revenue of online PC games.

INDUSTRY OVERVIEW

The graph below sets forth the estimated revenue of online PC games which was generated from game operated/published in Taiwan by locally based companies from 2010 to 2019:

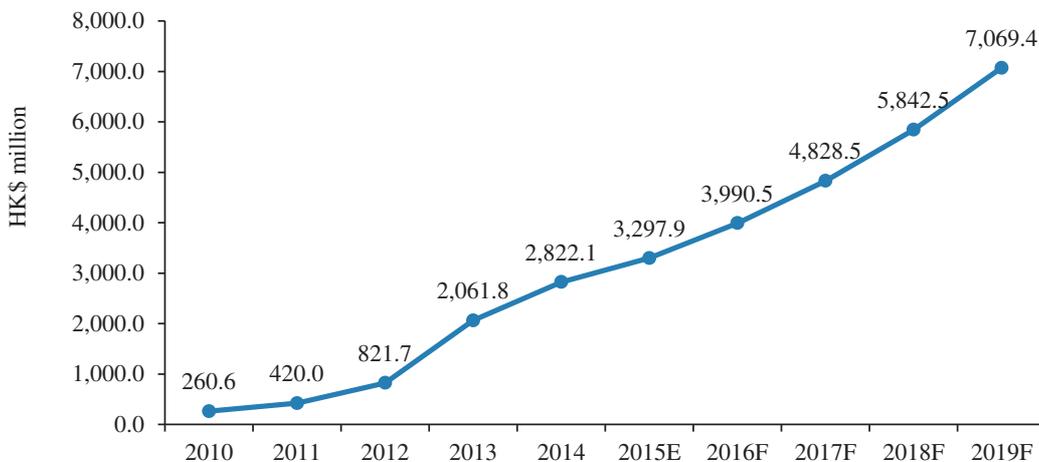


Source: Ipsos Research and Analysis

The major entry barriers to the online PC and mobile games publishing industry in Taiwan include new entrants having inadequate industry knowledge in gamers' preferences and lack of investment capacity to compete with the established players. This is particularly important because the technical requirements for game operation and development are becoming more complex and require higher levels of investment.

MOBILE GAME OPERATION/PUBLISHING INDUSTRY IN TAIWAN

The graph below sets forth the estimated revenue of mobile games which was generated from game operated/published in Taiwan through various channels including on paid-for download games, in-app purchased, subscription, and point-card purchases from 2010 to 2019:



Source: Ipsos Research and Analysis

INDUSTRY OVERVIEW

The estimated revenue of mobile games which was generated from game operated/published in Taiwan through various channels including on paid-for download games, in-app purchased, subscription, and point-card purchases rose rapidly at a CAGR of approximately 81.4%, from HK\$260.6 million in 2010 to HK\$2,822.1 million in 2014. The dramatic rise was largely a result of the increased adoption of smartphone and 3G/4G mobile internet. Mobile games revenue in Taiwan is estimated to grow continually from 2015 to 2019, albeit at a slower CAGR of approximately 21.0%, from HK\$3,297.9 million in 2015 to HK\$7,069.4 million in 2019.

COMPETITIVE ANALYSIS OF ONLINE PC AND MOBILE GAMES OPERATION/PUBLISHING INDUSTRY IN HONG KONG

We are a leading local online PC and mobile games company in Hong Kong. Our game *Demi-Gods and Semi-Devils 3D** ranking the top mobile RPG game in Hong Kong in terms of revenue in the first half of 2015. Also, *SD Gundam Capsule Fighter Online*, which was one of games publishing by us, ranked the ninth Online PC game in Hong Kong in terms of member of players in the first half of 2015. Online PC and mobile game publishers in Hong Kong compete with both Hong Kong and overseas (including both regional and international) games publishers with subsidiaries in Hong Kong. Online PC games developed by large international developers who self-publish the games also present strong competition in the Hong Kong market (for example, *Diablo III* developed and published by Blizzard Entertainment Inc.).

Major factors of competition in the online PC and mobile game industry include the ability to acquire popular games from developers and successful marketing which increases the visibility of publishers' games amongst the large number of games in the market. In addition, online PC and mobile games operators and publishers are required to have up to date knowledge of the industry trends, consumer preferences and the latest technological developments prior to developing and publishing online PC and mobile games.

In Hong Kong, we accounted for a market share in the online PC and mobile games operation/publishing industry of approximately 11.7% in 2014 and approximately 9.0% in the six months ended 30 June 2015 in terms of the total revenue generated from game operated/published in Hong Kong by locally based companies.

According to the Ipsos Report, as online PC games developed by large international developers who self-publish games also act as competitors in the Hong Kong market, competition in the overall online PC game market has intensified in recent years, and the market is relatively fragmented.

The major mobile game operators/publishers generally target different customer segments by focusing on diverse mobile game genres. With the rapid growth of the mobile games industry, the level of competition intensified after 2013. Due to the large number of mobile games and their relatively short life span, significant marketing campaigns and promotional efforts are necessary to achieve commercial success. Therefore, mobile game operators/publishers need to possess enough financial resources for game marketing which can be more feasibly achieved by the larger market players.

According to the Ipsos Report, competition in the global mobile game market has intensified in recent years, as a large number of mobile game developers entered into the market with over ten thousand mobile games. Due to the relatively low development costs of mobile games as opposed to conventional electronic games such as console games, new developers find it easier to enter the industry due to lower entry barriers.

Source: Ipsos Research and Analysis

INDUSTRY OVERVIEW

*Demi-Gods and Semi-Devils 3D**, operated by the Company, was ranked number one mobile RPG game by revenue in 2015 (January-June). The table below sets forth the top 10 mobile RPG Games in Hong Kong by revenue in 2015 (January-June):

Rank	Name	Publisher	Game Genre(s)
1	Demi-Gods and Semi-Devils 3D* (天龍八部3D)	Gameone Group Ltd.	MMORPG
2	Tower of Saviors (神魔之塔)	Mad Head Ltd.	Puzzle, RPG
3	Demon World (魔神世界)	GameRabi	RPG
4	Cross Gate (魔力寶貝)	Square Enix Co., Ltd.	MMORPG
5	Doraemon Repair Shop Seasons (哆啦A夢修理工場)	Animoca	Simulation, RPG
6	Ninja-Q Saga (International) (忍者Q傳 - 忍者來了國際版)	TopGamer	RPG
7	Divine Eagle, Gallant Knight, Officially Authorised version (神鵬俠侶 - 金庸武俠正版授權)	Inch Interactive Entertainment (TW) Ltd.	RPG
8	MARVEL Future Fight (漫威英雄：未來之戰)	Netmarble US Inc.	RPG
9	Crusaders Quest (克魯賽德戰記)	NHN Entertainment Corp.	RPG
10	Sinbin World (仙變世界)	Rainbow Inc.	RPG

Source: Ipsos Research and Analysis

SD Gundam Capsule Fighter Online published by the Company ranked the 9th online PC game by players in Hong Kong in 2015 (January-June). The table below sets forth the top 10 online PC games in Hong Kong by players in 2015 (January-June):

Rank	Name	Publisher	Game Genre(s)
1	FIFA	Electronic Arts Inc.	Sports, Simulation
2	Diablo III	Blizzard Entertainment	Action RPG
3	Grand Theft Auto V	Rockstar Games	Action adventure
4	League of Legends	Garena Online.	MOBA
5	Football Manager	SEGA Holdings Co., Ltd.	Sports, Simulation
6	Nobunaga's Ambition Online	Game Flier International Corp.	MMORPG
7	Dota 2	Valve Corp.	MOBA
8	Phantasy Star Online 2	Gamania Digital Entertainment Co., Ltd.	MMORPG
9	Hearthstone: Heroes of Warcraft SD Gundam Capsule Fighter Online[#]	Blizzard Entertainment Gameone Group Ltd.	Strategy MMOTPS
10	Eden Eternal	Alta Multimedia Ltd.	MMORPG

Source: Ipsos Research and Analysis

[#] Note: The company ceased to operate this game on 31 July 2015.

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The major opportunities for the online PC and mobile games industry in Hong Kong include:

- **Growing popularity of smartphones and tablets:** The increasing 3G/4G internet penetration rate in Hong Kong and the trend of playing mobile games on smartphones and tablets are favourable factors propelling the demand for mobile games, creating opportunities for mobile games publishers. Over half the smartphone holders claimed playing mobile games is one of the major purposes for using a smartphone. In addition, as tablets have stronger computing power than smartphones, as well as a bigger screen, it has the potential to support a wider variety of mobile games, or even support some of the online PC games.
- **Strong copyright law in Hong Kong:** Intellectual property rights are protected by the Copyright Ordinance and are rigorously enforced. This encourages innovation and creativity which is important to support the development of a local online PC and mobile game industry.
- **Popularity of online PC and mobile games based on popular literatures, comics and animations:** The popularity of online PC and mobile games based on popular literatures, comics and animations are also considered an opportunity to the online PC and mobile games industries in Hong Kong and Taiwan. For instance, a wide variety of online PC and mobile games in Hong Kong and Taiwan are popular literatures- or comic-based, such as Divine Eagle, Gallant Knight (神鵬俠侶), Demi-Gods and Semi-Devils 3D (天龍八部3D) and Doraemon Repair Shop Seasons (多啦A夢修理工場). The availability and popularity of these popular intellectual properties will continue to underpin the growth of the online PC and mobile games markets in Hong Kong and Taiwan.
- **Stable relationship with overseas game developers:** The Company's strong and stable relationships with major overseas game developers, particularly in Taiwan, Japan and PRC enables the Company to obtain popular online PC and mobile games high revenue generation potential.
- **Positive economic outlook:** Demand for online PC and mobile games are expected to rise in Hong Kong, as a result of the positive forecasted economic outlook from 2015 to 2019. For instance, Hong Kong is envisaged to experience between 2.0% to 3.3% year-on-year GDP growth during the period as well as a 3.8% CAGR growth in average disposable income.
- **Emergence of and continually advanced hardware extensions:** The emergence and the increasingly advanced hardware extensions such as virtual reality (VR) devices may serve as a market growth driver propelling the development of the online PC gaming market in Hong Kong. The advanced hardware extensions may improve the gaming experience, particularly for the genres of shooting, simulation, action adventure and sport, which may attract the online PC enthusiasts and new players.
- **Strengthened Hong Kong dollar against Japanese yen:** From 2010 to 2014, the exchange rate of Hong Kong dollar against Japanese yen was strengthened over the historical period,

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decreasing from 0.0887 Hong Kong dollar against 1 Japanese yen in 2010 to 0.0645 Hong Kong dollar against 1 Japanese yen in 2015 (Jan-June). The strengthened Hong Kong dollar may reduce the cost of sourcing Japanese online PC and mobile games by Hong Kong based online PC and mobile games publishers.

The Company is considered to have the following competitive advantages:

- **Extensive industry experience:** The Company has over 10 years' experience in developing, operating and publishing online PC and mobile games. Therefore, the Company's proven track record will enable the Company to enjoy an advanced position in the online PC and mobile games operation and publishing industry and capture potential future growth opportunities.
- **Strong expertise in the game industry:** The Company possesses solid expertise in the game industry. The Company's Chairman/ Executive Director has over 10 years of experience in the game industry and is one of the founders of Hong Kong Game Industry Association Limited. The Company staff also have strong technical skills in game development and platform development, which enabled the Company to develop the first Web2.0 multi-function online PC gaming platform in Hong Kong and differentiates the Company from the competition.
- **Stable relationship with well-known game developers:** The Company has a good relationship with major game developers/ operators, which enables the Company to obtain attractive online PC and mobile games and have an advantage over competitors.

COMPETITIVE ANALYSIS OF ONLINE PC AND MOBILE GAMES INDUSTRY IN TAIWAN

The Taiwan online PC and mobile games operation/publishing industry is considered fragmented with a large number of strong local players who are capable of developing and publishing online PC and mobile games. In 2014, key Taiwanese listed game operators/publishers include Macrowell OMG Digital Entertainment Co., Ltd., Xpec Entertainment Inc., Soft-World International Corporation, UserJoy Entertainment Inc., Funyours Technology Co. Ltd. and Gamania Digital Entertainment Co. Ltd. Together these companies generated revenue of approximately TWD20,818 million (equivalent to approximately HK\$4,841.4 million) in the game industry (including online PC, mobile games and console games). With the view of the high percentage market share by key Taiwanese listed game operators/publishers in 2014, the competition of overall game industry in Taiwan was considered intensive. In Taiwan, we recorded a market share in the online PC and mobile games operation/publishing industry of approximately 0.3% in 2014 and approximately 0.2% in the six months ended 30 June 2015 in terms of the total revenue generated from game operated/published in Taiwan by locally based companies.

REGULATORY OVERVIEW

HONG KONG LAWS AND REGULATIONS

Set out below is a summary of laws and regulations of Hong Kong which our businesses and operations are subject to.

Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong) (the “COIAO”)

There is no particular legal requirement, registration and/or licence for developing, operating and publishing mobile games, online PC games and web games in Hong Kong. However, any article appeared in the mobile games, online PC games and web games published in Hong Kong are subject to the Control of Obscene and Indecent Articles Ordinance (Chapter 390 of the Laws of Hong Kong).

Section 21 of the COIAO provides that any person who publishes, possesses for the purpose of publication or imports for the purpose of publication any obscene article commits an offence and is liable to a fine of HK\$1,000,000 and to imprisonment for three years.

Section 22 of the COIAO provides that any person who publishes any indecent article to a person who is a juvenile commits an offence and is liable to a fine of HK\$400,000 and to imprisonment for 12 months on his first conviction, and to a fine of HK\$800,000 and to imprisonment for 12 months on a second or subsequent conviction. Section 24 of the COIAO also sets out that any person publishing an indecent article must comply with the relevant statutory requirements, including sealing the article in a wrapper and displaying on the front and back covers the statutory warning notice, which states that the article concerned may not be sold to a person under 18 years old. The warning notice should occupy at least 20% of the front and back covers of the article.

Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) (the “PDPO”)

Section 4 of the PDPO provides that any person who controls the collection, holding, processing or use of the personal data (the “**data user**”) shall not do an act, or engage in a practice, that contravenes any of the data protection principles set out in Schedule 1 of the PDPO (the “**Data Protection Principles**”) unless the act or practice, as the case may be, is required or permitted under the PDPO. Personal data means any data (a) relating directly or indirectly to a living individual; (b) from which it is practicable for the identity of the individual to be directly or indirectly ascertained; and (c) in a form in which access to or processing of the data is practicable.

As we may collect personal data of game players during the course of our business, we are required to comply with the Data Protection Principles, which are:

Principal 1 - Data Collection Principle

Personal data must be collected in a lawful and fair way, for a purpose directly related to a function/activity of the data user. Data subjects must be notified of the purpose and the classes of persons to whom the data may be transferred. Data collected should be necessary but not excessive.

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Principal 2 - Accuracy & Retention Principle

Personal data must be accurate and should not be kept for a period longer than is necessary to fulfil the purpose for which it is used.

Principal 3 - Data Use Principle

Personal data must be used for the purpose for which the data is collected or for a directly related purpose, unless voluntary and explicit consent with a new purpose is obtained from the data subject.

Principal 4 - Data Security Principle

A data user needs to take practical steps to safeguard personal data from unauthorised or accidental access, processing, erasure, loss or use.

Principal 5 - Openness Principle

A data user must make personal data policies and practices known to the public regarding the types of personal data it holds and how the data is used.

Principal 6 - Data Access & Correction Principle

A data subject must be given access to his/her personal data and allowed to make corrections if it is inaccurate.

In the event of non-compliance with any of the above principles, the Privacy Commissioner for Personal Data (the “PCPD”) may serve an enforcement notice to direct the data user to remedy the contravention and/or instigate the prosecution action. Section 50A of the PDPO provides that contravention of an enforcement notice is an offence which could result in a maximum fine of HK\$50,000 and imprisonment for two years.

The PDPO also criminalises misuse or inappropriate use of personal data in direct marketing activities under Part VI of the PDPO; non-compliance with data access request under section 19 of the PDPO; unauthorised disclosure of personal data obtained without data user’s consent under section 64 of the PDPO.

An individual who suffers damage, including injured feelings, by reason of a contravention of the PDPO in relation to his or her personal data may claim for damage from the data user concerned in civil proceedings.

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On 4 September 2015, the PCPD published a media statement about the initial findings of an international privacy sweep exercise examining websites and mobile applications targeted at youngsters, highlighting the areas of privacy practices that websites and mobile applications should pay attention to, particularly when collecting and handling personal data of youngsters. Common concerns highlighted by the PCPD include:

- websites/mobile applications collected potentially sensitive personal data, such as name, date of birth, phone number, address and photos or video;
- websites/mobile applications failed to use simple language or to present warnings that youngsters could easily read and understand;
- websites/mobile applications did not have effective controls in place to limit the collection of personal data from youngsters, in particular, some websites/mobile applications offered youngsters the opportunity to be redirected to a different website where they could be asked to disclose personal data;
- websites/mobile applications shared personal data with third parties, in some cases for vague or unspecified purposes;
- websites/mobile applications encouraged parental involvement; and
- websites/mobile applications did not offer an accessible means for deleting account information.

The PCPD encouraged data users to follow its “Guidance for Data Users on the Collection and Use of Personal Data through the Internet” and “Best Practice Guide for Mobile App Development” in collecting personal data on websites/mobile applications.

Trade Descriptions Ordinance (Chapter 362 of the Laws of Hong Kong) (the “TDO”)

The TDO prohibits false trade description, false, misleading or incomplete information, false statements, etc., in respect of goods offered in the course of trade. As we sell credit of our game distribution platforms, in-game virtual items and in-game currency to game players, we are required to comply with the relevant provisions under the TDO.

Section 2 of the TDO provides that “trade description” in relation to goods means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, quantity, price etc.), with respect to any goods or parts of the goods; and in relation to services means an indication, direct or indirect, and by whatever means given, of certain matters (including among other things, nature, scope, quantity, after-sale service assistance, price etc.).

Section 7 of the TDO provides that no person shall in the course of trade or business apply a false trade description to any goods or sell or offer for sale any goods with false trade descriptions applied thereto.

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Sections 13E, 13F, 13G, 13H and 13I of the TDO provide that a trader who engages in relation to a consumer in a commercial practice that (a) is a misleading omission; or (b) is aggressive; (c) constitutes bait advertising; (d) constitutes a bait and switch; or (e) constitutes wrongly accepting payment for a product, commits an offence.

A person who commits an offence under sections 7, 13E, 13F, 13G, 13H or 13I shall be subject, on conviction on indictment, to a fine of HK\$500,000 and to imprisonment for five years, and on summary conviction, to a fine at HK\$100,000 and to imprisonment for two years.

Sale of Goods Ordinance (Chapter 26 of the Laws of Hong Kong) (the “SOGO”)

As we sell credit of our game distribution platforms, in-game virtual items and in-game currency, we are required to comply with the relevant provisions under the SOGO.

The SOGO provides that where a seller sells goods in the course of a business, there is an implied condition that (a) where the goods are purchased by description, the goods must correspond with the description; (b) the goods supplied are of merchantable quality; and (c) the goods must be fit for the purpose for which they are purchased. Otherwise, a buyer has the right to reject defective goods unless he or she has a reasonable opportunity to examine the goods.

Trade Marks Ordinance (Chapter 559 of the Laws of Hong Kong) (the “TMO”)

The TMO provides for the registration of trademarks, the use of registered trademarks and connected matters. Hong Kong provides territorial protection for trademarks. Therefore, trademarks registered in other countries or regions are not automatically entitled to protection in Hong Kong. In order to enjoy protection by the laws of Hong Kong, trademarks must be registered with the Trade Marks Registry of the Intellectual Property Department under the Trade Marks Ordinance and the Trade Marks Rules (Chapter 599A of the Laws of Hong Kong) (the “**Trade Marks Rules**”).

Section 10 of the TMO provides that a registered trademark is a property right acquired through due registration under such ordinance. The owner of a registered trademark is entitled to the rights provided by the TMO.

We are the registered owner/ proprietor and applicant of the trademarks as set out in the section headed “Statutory and General Information — 9. Intellectual property rights of our Group” in Appendix IV to this prospectus.

By virtue of section 14 of the TMO, the owner of a registered trademark is conferred exclusive rights in the trademark. The rights of the owner in respect of the registered trademark come into existence from the date of the registration of the trademark. According to section 48 of TMO, the registration date is the filing date of the application for registration.

Subject to the exceptions in section 19 to section 21 of the TMO, any use of the trademark by third parties without the consent of the owner is an infringement of the trademark. The owner of the registered trademark is entitled to remedies under the TMO once any infringement by third parties occurs, such as infringement proceedings provided for in section 23 and section 25 of the TMO.

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Trademarks which are not registered under the TMO and the Trade Marks Rules may still obtain protection by the common law action of passing off, which requires proof of the owner's reputation in the unregistered trademark and that use of the trademark by third parties will cause the owner damage.

Copyright Ordinance (Chapter 528 of the Laws of Hong Kong) (the "Copyright Ordinance")

In the course of developing, operating publishing mobile games, online PC games and web games in Hong Kong, we may create original artistic works (such as drawings) or literary works (such as text) that qualify for copyright protection.

The Copyright Ordinance provides protection for certain categories of literary, dramatic, musical and artistic works, as well as for films, television broadcasts and cable diffusion, and works made available to the public on the internet. No registration is required under the Copyright Ordinance and any infringement of copyright is civilly actionable.

TAIWANESE LAWS AND REGULATIONS

Set out below is a summary of laws and regulations of Taiwan which our businesses and operations are subject to.

The Consumer Protection Act ("CPA")

According to Article 17 of the CPA, competent authorities at the central government level may designate certain industries and set forth by public notice the mandatory and prohibitory provisions of standard contracts to be used by the enterprises in such industries. Articles contained in the standard contracts of a company in such industries in violation of the content set out in the mandatory and prohibitory provisions announced by the competent authorities shall be deemed null and void. According to Article 16 of the CPA, if the validity of such standard contracts can be upheld without the null and void portions, the remaining parts of the contracts shall still be valid. Notwithstanding the above, if a standard contract is obviously unconscionable to one of the parties, the entire contract shall be deemed null and void.

The Mandatory and Prohibitory Provisions of Standard Contracts of Online Games (線上遊戲定型化契約應記載及不得記載事項) last amended on December 1, 2010 and the Mandatory and Prohibitory Provisions of Standard Contracts of Online Game Virtual Credits (Card) (線上遊戲點數(卡)定型化契約應記載及不得記載事項) last amended on June 11, 2012 (collectively the "**Mandatory and Prohibitory Provisions**") announced by the Industrial Development Bureau ("**IDB**"), the Ministry of Economic Affairs of Taiwan regulate the provisions of the standard contracts to be used by online game providers. Provisions in a standard contract which contradict with the Mandatory and Prohibitory Provisions shall be deemed null and void and relevant matters shall be governed by the Mandatory and Prohibitory Provisions.

According to Article 56-1 of the CPA, if a standard contract used by a company is in violation of the mandatory and prohibitory provisions of standard contracts announced by the competent authorities and the company fails to rectify the non-compliance within the period of time ordered by

REGULATORY OVERVIEW

the competent authorities, an administrative fine ranging from NT\$30,000 to NT\$300,000 may be imposed on it. If the company still fails to rectify such non-compliance within the period of time ordered by the competent authorities, consecutive administrative fines ranging from NT\$50,000 to NT\$500,000 may be imposed on it. The administrative fine may be imposed repeatedly for continuous failure to rectify the non-compliance.

The Act for the Protection of Children and Youths Welfare and Rights (“Children Protection Act”)

According to Article 44 of the Children Protection Act (as amended on December 16, 2015) and the Gaming Software Classification and Management Regulations (遊戲軟體分級管理辦法) (the “**Classification Regulations**”) promulgated thereunder and last amended on November 12, 2015, publishers, agencies, lenders, sellers or distributors of the gaming software or entities or individuals who provide download access or display gaming software (the “**Classification Obligator**”) shall classify the gaming software in accordance with the Classification Regulations. Apart from classification, the contents, markings, displays and managements of the gaming software shall also be consistent with the Classification Regulations.

The classifications of gaming software are as follows:

- (i) General public: people of all ages may access to such software;
- (ii) Protected: only people of age six and above may access to such software;
- (iii) Parental guidance for twelve (12): only people of age twelve (12) and above may access to such software;
- (iv) Parental guidance for fifteen (15): only people of age fifteen (15) and above may access to such software; and
- (v) Restricted: only people of age eighteen (18) and above may access to such software.

According to the Classification Regulations, gaming software refers to integrated and digital programs of text, sound and visual, music, picture, image or animation which allow users to achieve the purpose of playing by operation of electronic device, but excludes software used in the “electronic game machines” referred to in the Electronic Game Arcade Business Regulation Act (電子遊戲場業管理條例) last amended on June 10, 2009.

The competent authority may impose an administrative fine ranging from NT\$50,000 to NT\$250,000 on a Classification Obligator who fails to classify the gaming software or violates the regulations regarding classifications and contents; from NT\$30,000 to NT\$150,000 on a Classification Obligator who violates the regulations regarding markings; and from NT\$10,000 to NT\$50,000 on a Classification Obligator who violates the regulations regarding displays, managements, Classification Obligators and other relevant rules and regulations promulgated by the competent authorities, and may order the Classification Obligator to rectify such violation within a certain period of time.

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Administrative fine may be imposed repeatedly for continuous failure to rectify the violation within the period ordered by the competent authority. In the situation subject to an administrative fine ranging from NT\$10,000 to NT\$50,000, the competent authority may publish the name or title of the Classification Obligator.

In addition, according to Article 10 of the Classification Regulations, all games publishers, agencies or actual providers of the games shall register the classification and the content descriptions on the Gaming Software Classification Inquiry Website (軟體遊戲分級查詢網) of the IDB.

The Personal Data Protection Act (“PDPA”)

The collection, processing, use, and international transmit (including internal use and provision to third parties) of personal data are subject to the PDPA. To comply with the PDPA, a data subject must be provided with adequate notice before a data collector first collects personal data from him/her. According to Article 8 of the PDPA, the notice should contain the following information:

- (i) the identity of the collector;
- (ii) the purpose of collection;
- (iii) the type of the personal data;
- (iv) how the collected personal data will be used (including period of time, region, parties to whom the data will be disclosed and methods);
- (v) the data subject’s right to request for checking and reviewing the collected data, obtaining a copy of the collected data, supplementing or amending the collected data, ceasing the collection, processing or use of the collected data and deleting the collected data; and
- (vi) consequences of the data subject’s failure to provide the required personal data if the data subject is optional to provide his/her personal data.

According to Article 19 of the PDPA, the collection and processing of personal data must be for the specific purpose(s) and meet any of the following conditions:

- (i) such collection or processing is in accordance with laws;
- (ii) a data collector has entered into a contract or is preparing to enter into a contract with a data subject;
- (iii) the information of the data subject has become public owing to the disclosure by the data subject or other legitimate methods;
- (iv) an academic institution needs the personal data for statistic or academic research for the public interests and a data provider provides the processed data that cannot identify the data subject;

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- (v) a written consent of the data subject has been obtained;
- (vi) the collection or processing of the information is for public interests; and
- (vii) the information is obtained from publicly available resources unless the data subject has a more overwhelming interest deserving protection in restricting the processing or use of his/her personal data.

PRC LAWS AND REGULATIONS

Set out below is a summary of laws and regulations of the PRC which our businesses and operations are subject to.

Intellectual Property Rights

Copyright

The Copyright Law of the PRC (中華人民共和國著作權法), adopted in 1991 and revised respectively in 2001 and 2010, protects copyright and explicitly covers computer software copyright. On 20 December 2001, the State Council promulgated the new Regulations on Computer Software Protection (計算機軟件保護條例), effective as at 1 January 2002 and revised in 2013, which are intended to protect the rights and interests of the computer software copyright holders and encourage the development of software industry and information economy. In the PRC, software developed by PRC citizens, legal person or other 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 20 February 2002, the National Copyright Administration (國家版權局) (“NCA”) introduced the Measures on Computer Software Copyright Registration (計算機軟件著作權登記辦法), which outline the operational procedures for registration of software copyright, as well as registration of software copyright license and transfer contracts. The Copyright Protection Centre of China is mandated as the software registration agency under the regulations.

Trademark

Registered trademarks are protected by the PRC Trademark Law (中華人民共和國商標法), adopted in 1982 and revised respectively in 1993, 2001 and 2013, as well as the Implementation Regulation of the PRC Trademark Law (中華人民共和國商標法實施條例), adopted in 2002, revised in 2014. The State Administration for Industry & Commerce Trademark Office (國家工商行政管理總局商標局) (“SAIC Trademark Office”) is responsible for trademark registrations and grants a term of ten years to registered trademarks which may be renewed for consecutive ten-year periods upon request by the trademark owner. Upon the registration of a trademark, the register will have the right to exclusively use the trademark. The PRC Trademark Law has adopted a “first-to-file” principle with respect to trademark registration. Where a trademark for which a registration has been made is identical or similar to another trademark which has already been subject to a preliminary examination on the same kind of or similar commodities or services, the application for registration of such

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trademark may be rejected. Any person applying for the registration of a trademark may not prejudice the existing right first obtained by others, nor may any person register in advance a trademark that has already been used by another party and has already gained a “sufficient degree of reputation” through such party’s use. Registered trademark license agreements are required to be filed with the SAIC Trademark Office for record.

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”) on 28 May 2012, effective on 29 May 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 Ministry of Industry and Information Technology of the People’s Republic of China (中華人民共和國工業和信息化部) on 5 November 2004 and effective as at 20 December 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 on 28 May 2012 and effective as at 28 June 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.

Labour and Social Security

Employment contracts

Pursuant to the PRC Labour 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 5 July 1994 and became effective on 1 January 1995 and subsequently amended on 27 August 2009, the PRC Labour Contract Law (中華人民共和國勞動合同法) which was promulgated Standing Committee of the National People’s Congress on 29 June 2007 and became effective on 1 January 2008 and subsequently amended on 28 December 2012 and will become effective on 1 July 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 18 September 2008, labour contracts in written form shall be executed to establish labour relationships between employers and employees. Wages cannot be lower than local minimum wage.

The employer must establish a system for labour 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 (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 28 October 2010 and became effective on 1 July 2011, the Interim Regulations on the Collection and Payment of Social Security Funds (社會保險費徵繳暫行條例) which was

REGULATORY OVERVIEW

promulgated by the State Council and became effective on 22 January 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 Labour on 14 December 1994 and became effective on 1 January 1995, the Regulations on Occupational Injury Insurance (工傷保險條例) which was promulgated by the State Council on 27 April 2003 and became effective on 1 January 2004 and subsequently amended on 20 December 2010 and became effective on 1 January 2011, 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 became effective on 3 April 1999 and amended on 24 March 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.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

OUR BUSINESS DEVELOPMENT

Our history in the game industry can be traced back to 2000 when Vision Publication Company Limited (“**Vision Publication**”), G-Channels Limited (“**G-Channels**”) and Gameone Online Entertainment Group Limited (“**Gameone (HK)**”) became the subsidiaries of our predecessor, Gameone Interactive.com Inc. (“**GII**”). Vision Publication, G-Channels and Gameone (HK) engaged in the business of publication, operation of a game portal and development and sale of game software, respectively. The establishment of GII underpinned by these three companies laid the foundation of our game business.

GII was incorporated on 6 December 1999 in the Cayman Islands with each of (i) Gameone Holdings Limited, a company incorporated in the British Virgin Islands (“**Gameone (BVI)**”), which was owned as to 42% by Mr. Sze and as to 58% by Mr. Dao Mun Chi (“**Mr. Dao**”), an individual who is one of the founders of Gameone (HK) and G-Channels had initiated the formation of GII and the combination of Gameone (HK), G-Channels and Vision Publication into one group at the material time; and (ii) Vimsoft Limited, which was controlled by Mr. Dao and iPic One Limited, which was owned by, inter alia, Mr. Tam Hoi Chi.

Mr. Sze, Mr. Tam Hoi Chi and the Mr. Dao had got acquainted with one another through prior business encounter. Both Mr. Dao and Mr. Tam Hoi Chi are independent third parties.

When it was first established, GII was financed by the personal funds.

On March 2001, PCIL acquired the entire interest in iPic One Limited. After the transfer, GII was owned as to 60% by Gameone (BVI), 25% by PCIL and 15% by Vimsoft Limited.

To rationalize our corporate structure, GII and the abovementioned companies underwent a reorganization in 2010. As part of the reorganization, our Company was incorporated in the Cayman Islands on 14 April 2010. After the reorganization, our game developing, operating and publishing functions were carried out primarily through our subsidiary Gameone Group (HK), which was incorporated on 25 August 2010, while our print publication and advertising service functions were carried out by our then subsidiary, ongameshow.com, which was incorporated on 10 May 2010.

GII was voluntarily wound up and dissolved in 12 November 2013.

G-Channels was incorporated on 25 October 1999 in Hong Kong with limited liability. It was principally engaged in trading and distribution of computer gaming software and console games. G-Channels was subsequently dissolved in 28 March 2012.

Gameone (HK) was incorporated on 9 November 1993, in Hong Kong with limited liability. It was principally engaged in the development and sale of game software. Gameone (HK) was voluntarily wound up by its shareholders on 30 October 2013.

Vision Publication was incorporated on 29 July 1998 and engaged in the publishing business during the period from 5 August 1998 to 19 March 2004. The Company was dissolved by way of deregistration on 19 March 2004 and was solvent when deregistered.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

Recognizing the increasing trend in mobile games, our Group launched our first self-developed mobile game in 2013.

The key milestones of our business development are as follows:

<u>Year</u>	<u>Business Achievement</u>
1999 to 2000	The establishment of our predecessor, Gameone Interactive.com Inc. (dissolved in 12 November 2015) and entering the market of game development and sale of computer game and game console software since 2000.
2002	Launched our first self-developed online PC game <i>The Heroes of Gulong (Online)</i> * (古龍群俠傳網絡版). Gameone (Shenzhen) was established in June 2001 and which was responsible for the provision of back-office technical support function.
2003	<i>The Heroes of Gulong (Online)</i> * (古龍群俠傳網絡版) received the Gold Prize under Entertainment Software Category in the First Hong Kong Digital Entertainment Excellence Awards.
2004	Began to provide game publishing and payment collection services in Hong Kong.
2006	Published online PC game <i>Audition (Online)</i> * (勁舞團Online) in July 2006. Launched self-developed online PC game <i>Dahua Sanguo Yingxiong Tang</i> * (大話三國英雄堂) in 2006, which received a Certificate of Merit for Best Music and Sound in the Hong Kong Information and Communication Technology Awards 2006 — Best Digital Entertainment Awards (Digital Entertainment Software).
2008	Launched licensed online PC game <i>Demi-Gods and Semi-Devils (Online)</i> * (天龍八部Online) in April 2008, and received the My Favorite Local Online Game Awards* (我最喜愛本地網絡遊戲大獎) 2008 from the <i>Best of I.T. Awards</i> 2008 organised by PCM magazine (PCM 電腦廣場).
2008-2009	Launched self-developed online PC game <i>QGL Online</i> * (夢幻古龍) in November 2008, and received the following awards in the Hong Kong Information and Communication Technology Awards 2009 — Best Digital Entertainment Awards (Entertainment Software):- (i) Entertainment Software Silver Award; (ii) Certificate of Merit for Best Music and Sound; and (iii) Certificate of Merit for Computer Graphics.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

Year	Business Achievement
2010	<p>ongameshow.com was established in May 2010 and engaged in the publishing of the printed versions of game magazine PC Game Weekly and comics.</p> <p>Gameone Group (HK) registered a branch in Taiwan, namely New Gameone (Taiwan), in October 2010, through which we engaged in game operation and game publishing in the market of Taiwan.</p> <p>Gameone Group (HK) established a jointly controlled company, Chineseego Sdn Bhd, in Malaysia in November 2010 with CIB Net Station Sdn Bhd, to operate the business of developing, operating and publishing MMORPGs in Malaysia.</p>
2011	<p>Gameone Group (HK) established another jointly controlled company, CiB Gameone Limited, in Malaysia in March 2011 with CiB Development Sdn Bhd, to hold our game licenses in Malaysia.</p> <p>Launched <i>Dark of Three Ancient Kingdoms Online</i>* (闇三國Online) in 2011.</p>
2012	<p>Launched <i>Age of Wushu (Online)</i>* (九陰真經Online) in September 2012.</p>
2013	<p>Launched our first self-developed mobile game Game B on 15 January 2013, which accumulated revenue reached HK\$4.8 million for the year ended 31 December 2013.</p> <p>Launched self-developed mobile game <i>The Ravages of Time (mobile version)</i>* (火鳳燎原手機版) on 20 May 2013, accumulated revenue reached approximately HK\$9.8 million for the year ended 31 December 2013.</p> <p>Termination of joint venture agreements with CIB Net Station Sdn Bhd and CiB Development Sdn Bhd.</p>
2014	<p>Launched co-developed mobile game <i>The Ravages of Time — Battle</i>* (火鳳燎原大戰) on 6 May 2014, accumulated revenue reached approximately HK\$5.5 million for the year ended 31 December 2014.</p> <p>Secured game development rights for the comic <i>Sea Tiger</i>* (海虎) and successfully launch a game, namely <i>Sea Tiger</i>* (海虎一百萬匹).</p> <p>Secured game development rights for the comic <i>Chronicles of the God's Order</i>* (封神紀).</p>
Up to June 2015	<p>Launched a licensed mobile game <i>Demi-Gods and Semi-Devils 3D</i>* (天龍八部3D) in February 2015, which its accumulated revenue reached approximately HK\$32.4 million for the six months ended 30 June 2015.</p> <p>Secured development rights to the novel <i>Kowloon Walled City</i>* (九龍城寨).</p>

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

CORPORATE HISTORY AND DEVELOPMENT

Our Company

Our Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 14 April 2010 with an initial authorized share capital of HK\$30,000 divided into 3,000,000 Shares of HK\$0.01 each. On 14 April 2010, the initial subscribing shareholder transferred one issued Share of HK\$0.01 in our Company, representing the entire issued share capital of our Company, to Mr. Sze. On 30 September 2015, Mr. Sze transferred one Share, representing the entire issued share capital of our Company, to PCIL for a consideration of HK\$1.00, which was determined with reference to the nominal value of the one Share.

On 23 December 2015, the authorized share capital of our Company was increased to HK\$10,000,000 divided into 1,000,000,000 ordinary shares of HK\$0.01 each by the creation of an additional 997,000,000 Shares. It is the holding company of our subsidiaries and its principal business activity is investment holding. As at 23 December 2015, our Company was held as to approximately 55.65%, 18.23%, 15.31%, 7.81% and 3.00% by PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital, respectively. PCIL is beneficially owned as to 99% by PC Asia, which is beneficially owned by Mr. Wong as to 50% and Ms. Wong as to 50%, and as to 1% by PC Asia Nominees, which is a wholly-owned subsidiary of PC Asia. Immediately following completion of the Capitalization Issue and the Placing (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), Mr. Wong and Ms. Wong, through PC Asia and PCIL, together will be entitled to exercise or control the exercise of 30% or more of the voting power at general meetings of our Company. Whilst our Controlling Shareholders have not entered into any concert parties agreement in relation to their interests in PCIL, in all board meetings of PCIL held during the Track Record Period and up to the Latest Practicable Date, all of Mr. Wong and Ms. Wong, where present, have voted in a unanimous manner on any proposed resolution in respect of the management, development and operations of PCIL. In addition, Mr. Wong and Ms. Wong are acting together as a group of Controlling Shareholders. Given the above, our Controlling Shareholders have acted in concert throughout the Track Record Period and up to the Latest Practicable Date and are therefore deemed to be the Controlling Shareholders. Accordingly, Mr. Wong, Ms. Wong, PCIL and PC Asia will be regarded as our Controlling Shareholders under the GEM Listing Rules.

As a result of the Reorganization, our Company, through Gameone Inc., indirectly holds all the equity interests in our subsidiaries, which are principally engaged in game development, game operation and game publishing focusing in the market of Hong Kong and Taiwan. Please refer to the paragraphs headed “Reorganization” in this section for further details about the Reorganization.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

Our subsidiaries incorporated in the BVI

Gameone Inc.

Gameone Inc. was incorporated under the laws of the BVI with limited liability on 7 September 2010 and was authorized to issue a maximum of 50,000 shares of US\$0.01 each. Gameone Inc. is an investment holding company which indirectly holds, through Gameone.com Inc., all the equity interests in our subsidiaries.

As at 1 January 2013, the commencement date of the Track Record Period, Gameone Inc. had increased the maximum number of shares it was authorized to issue to 8,278,210 shares of US\$0.01 each and were legally and beneficially owned as to approximately 57.38% by PCIL, approximately 18.79% by Mr. Sze, approximately 15.78% by NYIL and approximately 8.05% by Gameone (BVI), respectively. On 27 August 2015, Snail Digital was issued and allotted with 255,797 ordinary shares of US\$0.01 each, representing approximately 3.00% of the enlarged share capital of Gameone Inc. after issuance, for a cash consideration of US\$387,600. On 30 September 2015, Mr. Sze transferred his entire shareholding of Gameone Inc., being 1,555,615 shares of US\$0.01 each in Gameone Inc. (representing approximately 18.23% of the entire issued share capital of Gameone Inc.), to Right One. Right One is a company wholly owned by Mr. Sze. Following completion of the aforesaid steps of our Reorganization, Gameone Inc. was held as to approximately 55.65%, 18.23%, 15.31%, 7.81% and 3.00% by PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital.

Following completion of our Reorganization, our Company became the sole shareholder of Gameone Inc.. Please refer to the paragraph headed “Reorganization — Transfer of the entire issued share capital of Gameone Inc. by PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital to our Company” in this section for further details about the Reorganization.

Gameone.com Inc.

Gameone.com Inc. was incorporated under the laws of BVI with limited liability on 7 September 2010 and was authorized to issue a maximum of 50,000 shares of US\$0.01 each. Gameone.com Inc. is an investment holding company which holds all the equity interests in our subsidiaries.

As at 1 January 2013, the commencement date of the Track Record Period, and the Latest Practicable Date, Gameone.com Inc. was authorized to issue a maximum of 50,000 shares of US\$0.01 each and was legally and beneficially owned as to 100% by Gameone Inc..

Gameone Agency

Gameone Agency was incorporated under the laws of BVI with limited liability on 7 September 2010 and was authorized to issue a maximum of 50,000 shares of US\$0.01 each. Gameone Agency is principally engaged in investing holding.

As at 1 January 2013, the commencement date of the Track Record Period, and the Latest Practicable Date, Gameone Agency was authorized to issue a maximum of 50,000 shares of US\$0.01 each and was legally and beneficially owned as to 100% by Gameone.com Inc..

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

G9

G9 was incorporated under the laws of BVI with limited liability on 7 September 2010 and was authorised to issue a maximum of 50,000 shares of US\$0.01 each. G9 is principally engaged in investing holding.

As at 1 January 2013, the commencement date of the Track Record Period, and the Latest Practicable Date, G9 was authorized to issue a maximum of 50,000 shares of US\$0.01 each and was legally and beneficially owned as to 100% by Gameone.com Inc..

Our subsidiaries incorporated in Hong Kong

Gameone Online Technology

Gameone Online Technology was incorporated in Hong Kong with limited liability on 15 September 2010 with an authorized share capital of HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each. Gameone Online Technology is principally engaged in the development of online and mobile games.

As at 1 January 2013, the commencement date of the Track Record Period, and the Latest Practicable Date, Gameone Online Technology had an authorized share capital of HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each and was legally and beneficially owned as to 100% by Gameone.com Inc..

Gameone Group (HK)

Gameone Group (HK) was incorporated in Hong Kong with limited liability on 25 August 2010 with an authorized share capital of HK\$10,000 divided into 10,000 shares of HK\$1.00 each. Gameone Group (HK) is principally engaged in investment holding, development, operation, publishing and distribution of online and mobile games.

As at 1 January 2013, the commencement date of the Track Record Period, and the Latest Practicable Date, Gameone Group (HK) had an authorized share capital of HK\$10,000 divided into 1,000,000 shares of HK\$0.01 each and was legally and beneficially owned as to 100% by Gameone.com Inc..

On 21 October 2010, Gameone Group (HK) registered a branch in Taiwan, New Gameone (Taiwan), through which we engaged in game operation and game publishing in the market of Taiwan.

Our subsidiaries established in the PRC

Roaming Mobile Technology

Roaming Mobile Technology was established in the PRC on 13 August 2013 as a wholly foreign-owned enterprise with a registered capital of HK\$1,000,000, which was fully paid up on 8

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

January 2015. Roaming Mobile Technology is principally engaged in the development of online games. To lower our labour costs, Roaming Mobile Technology also provides support services to our Hong Kong game programming and development team and shares the workload of customer services teams in Hong Kong and Taiwan by providing customer services to our players.

Since its establishment, Roaming Mobile Technology has been legally and beneficially owned as to 100% by Gameone Group (HK).

Subsidiary deregistered or in the process of deregistration and members of our Group disposed of during the Track Record Period

Gameone (Shenzhen)

Gameone (Shenzhen) was established in the PRC on 19 June 2001 as a wholly foreign-owned enterprise with a registered capital of HK\$1,000,000. Gameone (Shenzhen) was principally engaged in the development of online games before its deregistration.

As at 1 January 2013, the commencement date of the Track Record Period, the registered capital of Gameone (Shenzhen) had been increased to HK\$10,000,000 and Gameone (Shenzhen) was owned as to 100% by Gameone Online Technology. Gameone (Shenzhen) completed the process of deregistration on 19 October 2015.

According to the audited financial statements of Gameone (Shenzhen), Gameone (Shenzhen) recorded a net loss of RMB3,608,353.22 and RMB2,184,856.55 for the two years ended 31 December 2013 and 31 December 2014, respectively. Accordingly, our Directors considered Gameone (Shenzhen) not material to our business and applied to deregister it for the purpose of improving the efficiency of our Group from the administrative and operational perspective.

Chinesego Sdn Bhd

Chinesego Sdn Bhd was incorporated under the laws of Malaysia on 1 November 2010 with an authorized share capital of RM100,000.00. Chinesego was principally engaged in the business of developing and publishing MMORPGs in Malaysia before being disposed out of our Group.

Immediately prior to its disposal, Chinesego Sdn Bhd was owned as to 49% by Gameone Group (HK) and as to 51% by CiB Net Station Sdn Bhd.

According to the management accounts of Chinesego Sdn Bhd, Chinesego Sdn Bhd recorded a net loss of RM101,006.60 and RM658,899.43 for the year ended 31 December 2012 and nine months ended 30 September 2013, respectively. For our Group to focus on the business of game development, game operation and game publishing in the market of Hong Kong and Taiwan, pursuant to a termination agreement entered into between Gameone Group (HK) and CiB Net Station Sdn Bhd on 1 October 2013, Gameone Group (HK) transferred its 49% interest in Chinesego Sdn Bhd to CiB Net Station Sdn Bhd for a consideration of RM1.00. Such consideration was determined with reference to the net liability of RM472,356.10 of Chinesego Sdn Bhd as at 30 September 2013 and settled in November 2013.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

Immediately upon completion of its disposal, Chineseego Sdn Bhd was excluded from our Group.

CiB Gameone Limited

CiB Gameone Limited was incorporated under the laws of BVI with limited liability on 28 March 2011 and was authorized to issue a maximum of 50,000 shares of US\$1.00 each. CiB Gameone Limited was principally engaged in holding game licences in Malaysia before being disposed out of our Group.

Immediately prior to its disposal, CiB Gameone Limited was owned as to 50% by Gameone Group (HK) and as to 50% by CiB Development Sdn Bhd.

According to the management accounts of CiB Gameone Limited, CiB Gameone Limited recorded a net loss of HK\$2,018,049.04 and HK\$1,581,728.86 for the year ended 31 December 2012 and nine months ended 30 September 2013, respectively. For our Group to focus on the business of game development, game operation and game publishing in the market of Hong Kong and Taiwan, pursuant to a termination agreement entered into between Gameone Group (HK) and CiB Development Sdn Bhd on 1 October 2013, Gameone Group (HK) transferred its 50% interest in CiB Gameone Limited to Yu Huan, an Independent Third Party, for a consideration of US\$1.00. Such consideration was determined with reference to the net liability of HK\$4,428,231.25 of CiB Gameone Limited as at 30 September 2013 and settled in November 2013.

Immediately upon completion of its disposal, CiB Gameone Limited was excluded from our Group.

STGT

STGT, formerly known as Lightspeed Interactive Media (Shenzhen) Co., Ltd. (光速互動媒體(深圳)有限公司), was established in the PRC on 13 September 2002 as a wholly foreign-owned enterprise with an initial registered capital of RMB1,000,000. On 10 July 2006, STGT was converted from a wholly foreign-owned enterprise into a PRC domestic enterprise.

As at 1 January 2013, the commencement date of the Track Record Period, the registered capital of STGT had been increased to RMB2,060,000 and STGT was owned as to 70% by Mr. Xie Jianhui (謝建輝) (“**Mr. Xie**”) and as to 30% by Ms. Lai Wenjuan (賴文娟) (“**Ms. Lai**”). For certain period of time during the Track Record Period (specifically, from 1 January 2013 to 23 September 2014), the financial information of STGT was consolidated into the Group’s financial statements as if STGT was a wholly-owned subsidiary of Gameone (Shenzhen) through the Structured Contracts. To streamline the business of the Group and concentrate on game development, operation and publishing business

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

of the Group, on 23 September 2014, Gameone (Shenzhen), STGT, Mr. Xie and Ms. Lai agreed to release the equity pledges under the STGT Equity Pledge Agreement. Since 23 September 2014, the financial information of STGT ceased to be consolidated into the Group's financial statements as if STGT was a subsidiary in the Group.

STGT is currently under the process of deregistration. The PRC Legal Advisers have advised that, as at the Latest Practicable Date, they were not aware of any material legal impediment on completion of the deregistration with the relevant PRC government authorities. To the best of the knowledge and information of our Directors after making reasonable enquiry, the deregistration process is expected to be completed in 2016.

Previous listing application in 2011

In August 2011, we applied for the listing of our Shares on the GEM of the Stock Exchange (the “**2011 Listing Application**”). However, having considered the potential downturn of online PC games and rising trend of mobile game in the Hong Kong and Taiwan game industry and the then prevailing stock market conditions, we decided to rechannel our resources to business development and operations with an aim of shifting our strategic focus from online PC games and web games to mobile games. We did not re-submit a listing application upon the lapse of the 2011 Listing Application in February 2012. Our Directors have confirmed that we voluntarily considered not to re-submit a listing application upon the lapse of the 2011 Listing Application and the decision was not based on or in connection with the suitability of the listing of our Shares on the GEM of the Stock Exchange.

PRE-IPO INVESTMENT

Background

Snail Digital is a company incorporated in Hong Kong with limited liability on 18 June 2015 and is wholly owned by Suzhou Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司). Suzhou Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司) was established in the PRC in October 2000 and is principally engaged in the development, operation, and sale of online games worldwide. We launched *Age of Wushu (Online)** (九陰真經 Online) on 13 September 2012, which was a MMORPG online PC game licensed from Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司) through a license agreement dated 12 May 2009 (as extended by various extension agreements). On 7 September 2015, we signed another license agreement with Suzhou Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司) giving us the right to operate and publish the mobile game *Age of Wushu (Mobile)** (九陰真經手機版) in Hong Kong. For further details on *Age of Wushu (Mobile)** (九陰真經手機版), please refer to the paragraph headed “Our Games” in the section headed “Business” in this prospectus.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

A summary of the latest extension agreement dated 18 August 2015 for licensing the online PC game version of *Age of Wushu (Online)** (九陰真經 Online), are as follows:

1. License expiry date : 11 September 2016
2. Royalty and monthly license fee : A non-refundable royalty 40% of the net sales generated from operating the game
3. Licensed territory : Hong Kong and Macau
4. Exclusivity : Exclusive license within licensed territory

A summary of the license agreement dated 7 September 2015 for licensing the mobile game version of *Age of Wushu (Mobile)** (九陰真經手機版), are as follows:

1. License expiry date : Three (3) years from commercial launch of the mobile game
2. Royalty and monthly license fee : A non-refundable royalty 28% of the net sales (including deductions for fees payable to third-party game distribution platforms and payment channel services) from operating the game
3. Licensed territory : Hong Kong and Macau
4. Exclusivity : Exclusive license within licensed territory

To the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Snail Digital has invested in our Company because it appreciates our prospect and growth potential.

Save as disclosed in the section headed "History, Reorganization and Structure of our Group" in this prospectus, to the best of our Directors' knowledge, information and belief having made all reasonable enquiries, Snail Digital did not have any past or present relationships or any agreements, arrangements or understanding with our Company, our subsidiaries, Shareholders, Directors or senior management and any of their respective close associates as at the Latest Practicable Date.

Investment

On 24 August 2015, Gameone Inc. entered into a share subscription agreement (the "**Share Subscription Agreement**") with Snail Digital, pursuant to which Gameone Inc. agreed to issue and allot 255,797 ordinary shares of US\$0.01 each to Snail Digital for cash consideration of US\$387,600. Upon completion of the issuance and allotment of shares by Gameone Inc. on 27 August 2015, Gameone Inc. was held as to approximately 55.65%, 18.23%, 15.31%, 7.81% and 3.00% by PCIL, Mr. Sze, NYIL, Gameone (BVI) and Snail Digital.

The consideration of the pre-IPO investment was determined after arm's length negotiation between the parties with reference to net asset value of Gameone Inc. as at 30 June 2015, and was fully settled on 27 August 2015 by Snail Digital. Snail Digital has not been granted any special rights pursuant to the Share Subscription Agreement in relation to its investment in our Group.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

Snail Digital will hold 2.25% of the enlarged issued share capital of our Company after completion of the Placing. Snail Digital has undertaken to us that, it shall not in the period of six months commencing on the Listing Date transfer or dispose of or otherwise create any encumbrances in respect of any Share which it is interested in upon the Listing. As Snail Digital is not a substantial shareholder or core connected person of our Company under the GEM Listing Rules, the Shares held by Snail Digital will be considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

Summary

The following table sets forth a summary of the pre-IPO investment by Snail Digital⁽¹⁾:

Date of pre-IPO investment agreement	24 August 2015
Amount of consideration	US\$387,600
Payment date of consideration	27 August 2015
Cost per Share paid under the pre-IPO investment ⁽²⁾	Approximately HK\$0.835
Discount to the Placing Price ⁽³⁾	Approximately 33.2%
Use of proceeds from the pre-IPO investment	For general working capital
Benefit from the pre-IPO investment	Broaden our shareholder base
Shareholding upon Listing	2.25%

Notes:

- (1) Snail Digital is wholly owned by Suzhou Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司).
- (2) This is derived based on 3,596,861 Shares to be held by Snail Digital upon completion of the Reorganization, Capitalization Issue and the Placing (but do not take into account any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme).
- (3) This is derived based on the Placing Price of HK\$1.25, being the mid-point of the proposed Placing Price range.

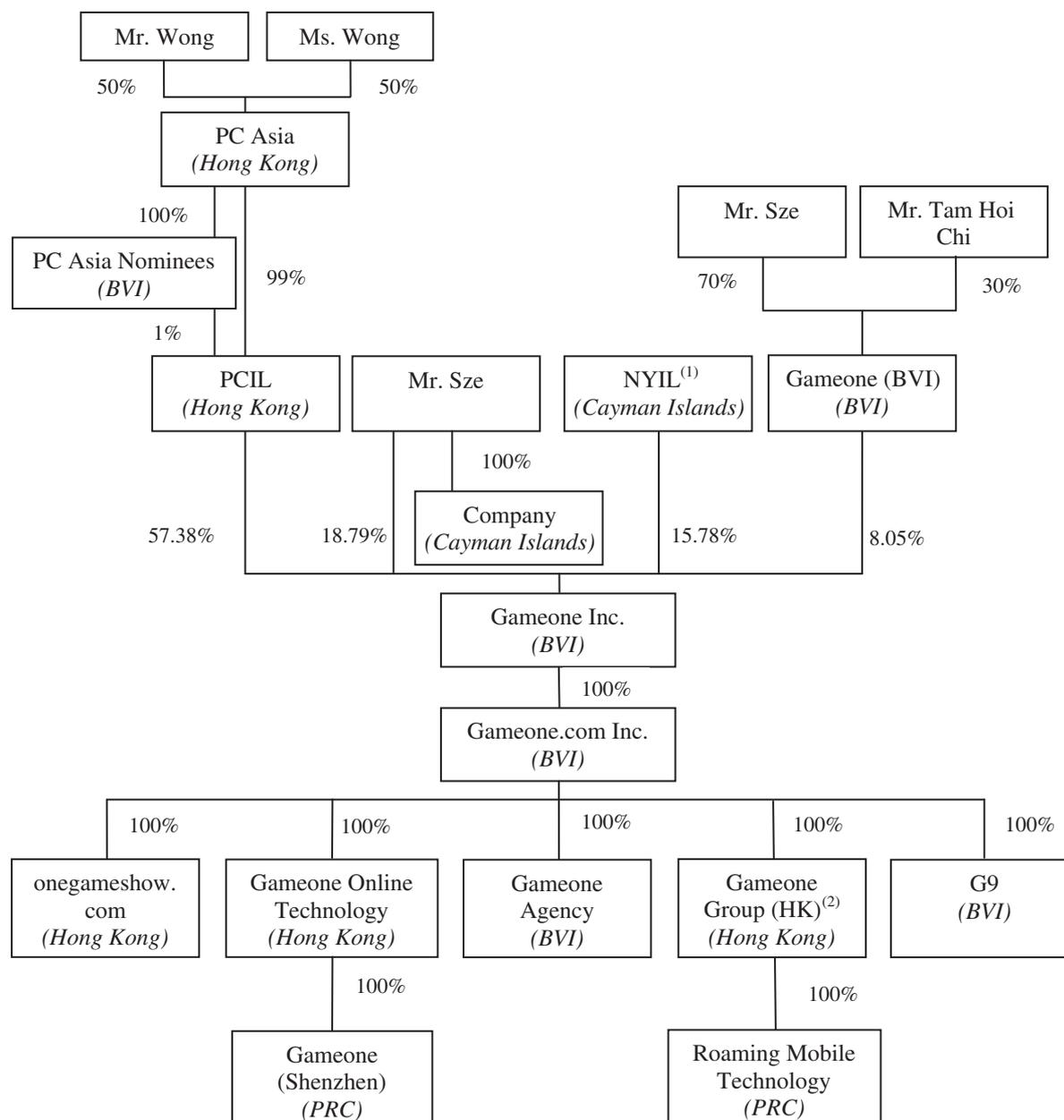
Sole Sponsor's confirmation

The Sole Sponsor submits that it considers that the pre-IPO investment by Snail Digital is in compliance with the "Guidance on Pre-IPO Investments" issued by the Listing Committee in October 2012 (updated in July 2013) since the considerations under the pre-IPO investment was settled on 27 August 2015, which was more than 28 clear days before the date of the first submission of the listing application form to the Listing Division of the Stock Exchange in relation to the Listing.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

REORGANIZATION

The corporate and shareholding structure of the Group immediately prior to the commencement of the Reorganization is set out below:



Notes:

1. Based on the information provided by NYIL, NYIL is beneficially owned by Heartland Investment Limited as to approximately 44.443%, Wollerton Investments Pte. Ltd. as to approximately 18.958%, Fair Gold International Limited as to approximately 15.612%, Everstar Overseas Holding Ltd. as to approximately 10.036%, Star Fortune Overseas Holding Limited as to approximately 8.000% and Hongxin International Holdings Limited as to approximately 2.951%, all of whom are Independent Third Parties.
2. Gameone Group (HK) has a branch office in Taiwan, namely, New Gameone (Taiwan).

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

Deregistration of Gameone (Shenzhen)

On 30 December 2014, the directors of Gameone (Shenzhen) passed a directors' resolution to deregister Gameone (Shenzhen). Our Directors considered Gameone (Shenzhen) not material to our business and applied to deregister it for the purpose of improving the efficiency of our Group from the administrative and operational perspective. The deregistration process was completed on 19 October 2015.

Subscription of shares in Gameone Inc. by Snail Digital

Pursuant to a share subscription agreement dated 24 August 2015 entered into between Gameone Inc. and Snail Digital, Gameone Inc. agreed to issue and allot 255,797 ordinary shares of US\$0.01 each to Snail Digital for cash consideration of US\$387,600. Upon completion of the issuance and allotment of shares by Gameone Inc. on 27 August 2015, Gameone Inc. was held as to approximately 55.65%, 18.23%, 15.31%, 7.81% and 3.00% by PCIL, Mr. Sze, NYIL, Gameone (BVI) and Snail Digital, respectively.

Disposal of onegameshow.com to Mr. Sze

ongameshow.com was engaged in the publishing of the printed versions of game magazine PC Game Weekly and comics before being disposed out of the Group. According to the audited financial statements of onegameshow.com, onegameshow.com recorded a net loss of HK\$144,628 and HK\$4,391 for the two years ended 31 December 2013 and 31 December 2014, respectively.

To streamline the business of the Group and concentrate on game development, operation and publishing business of the Group, pursuant to a sale and purchase agreement entered into between Gameone.com Inc. and Mr. Sze, our executive Director and the chairman of our Board, on 25 September 2015, Gameone.com Inc. transferred one share in onegameshow.com, representing the entire issued share capital of onegameshow.com, to Mr. Sze, for a consideration of HK\$1.00, which was determined with reference to its net liability of HK\$949,737.52 as at 31 August 2015. Such consideration was settled on 25 September 2015, and the disposal of onegameshow.com has been properly and legally completed and settled.

Immediately upon completion of aforesaid step of the Reorganization, onegameshow.com was excluded from the Group.

Transfer of 1,555,615 shares in Gameone Inc. held by Mr. Sze to Right One

Right One was incorporated under the laws of BVI with limited liability on 2 July 2015 and was authorized to issue a maximum of 50,000 shares of US\$1.00 each, of which one share of US\$1.00 each was being allotted and issued to Mr. Sze as fully paid on 18 September 2015.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

On 30 September 2015, Mr. Sze transferred 1,555,615 shares of US\$0.01 each in Gameone Inc., representing approximately 18.23% of the entire issued share capital of Gameone Inc., to Right One at a nominal consideration of US\$1.00. Such consideration was settled on 30 September 2015.

Immediately upon completion of aforesaid step of the Reorganization, Gameone Inc. was held as to 18.23% by Right One.

Transfer of the entire issued share capital of our Company by Mr. Sze to PCIL

On 30 September 2015, Mr. Sze transferred one Share, representing the entire issued share capital of our Company, to PCIL at a nominal consideration of HK\$1.00, which was determined with reference to the nominal value of the one Share. Such consideration was settled on 30 September 2015.

Immediately upon completion of aforesaid step of the Reorganization, our Company became a direct wholly-owned subsidiary of PCIL.

Transfer of the entire issued share capital of Gameone Inc. by PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital to our Company

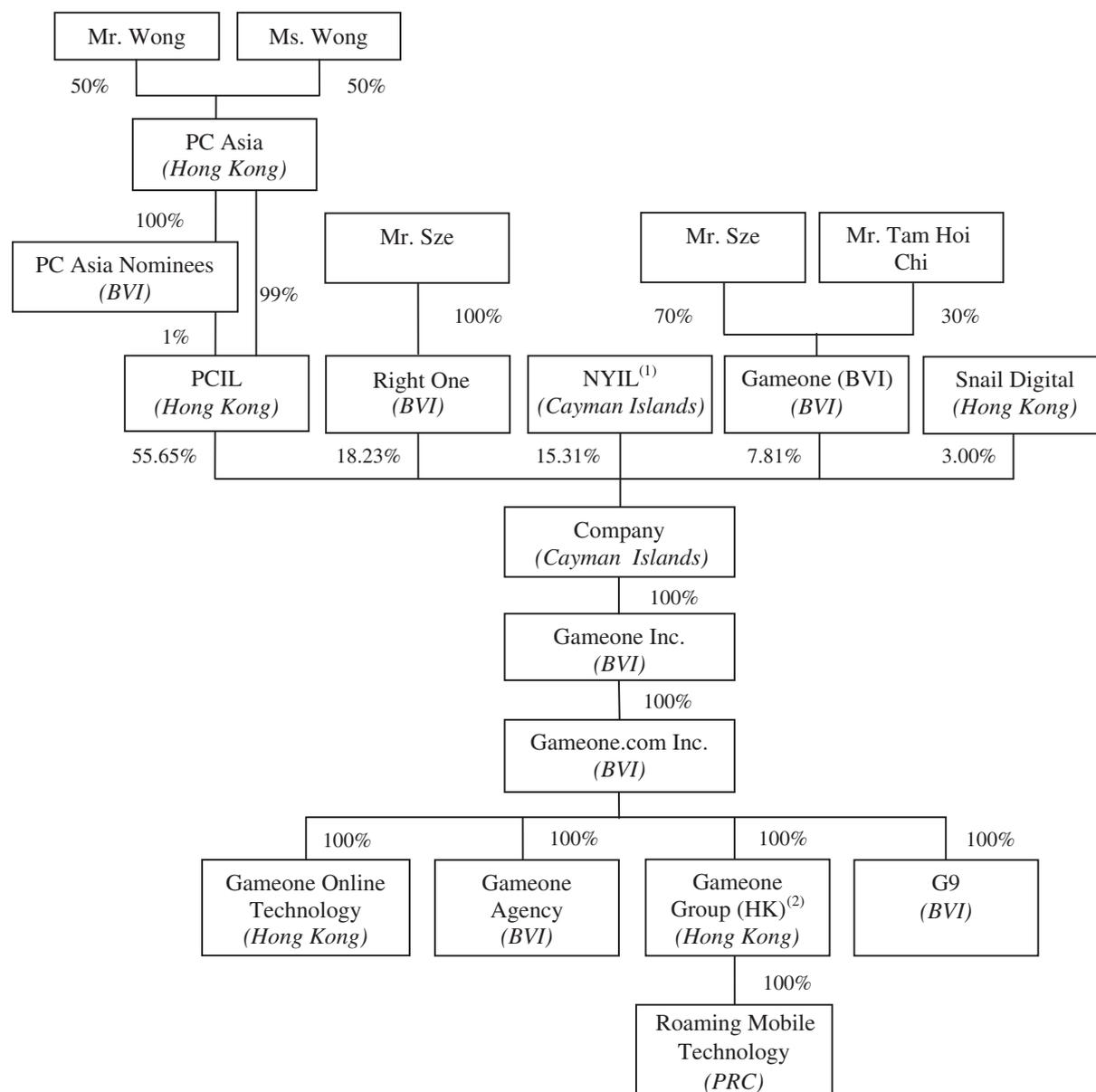
On 23 December 2015, the authorized share capital of the Company was increased from HK\$30,000 to HK\$10,000,000 by the creation of an additional 997,000,000 Shares.

On 23 December 2015, PCIL, Right One, NYIL, Gameone (BVI), Snail Digital and our Company entered into a sale and purchase agreement, pursuant to which PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital transferred 4,749,689, 1,555,615, 1,306,214, 666,692 and 255,797 shares in Gameone Inc., representing approximately 55.65%, 18.23%, 15.31%, 7.81% and 3.00% of the entire issued share capital of Gameone Inc., respectively, to our Company at an aggregate consideration of HK\$60,498,000, being the net book value of the Gameone Inc. (on a consolidated basis) as at 31 October 2015 and settled by our Company allotting and issuing 4,749,688, 1,555,615, 1,306,214, 666,692 and 255,797 Shares, credited as fully paid, to PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital, respectively. The aforesaid Shares were allotted and issued to PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital on 23 December 2015.

Immediately upon completion of the aforesaid step of the Reorganization, Gameone Inc. became a direct wholly-owned subsidiary of our Company.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

The corporate and shareholding structure of our Group immediately after the Reorganization but before completion of the Placing and the Capitalization Issue (without taking into account any Share which may be issued upon exercise of the Offer Size Adjustment Option or Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme) is set out as below:



HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

Notes:

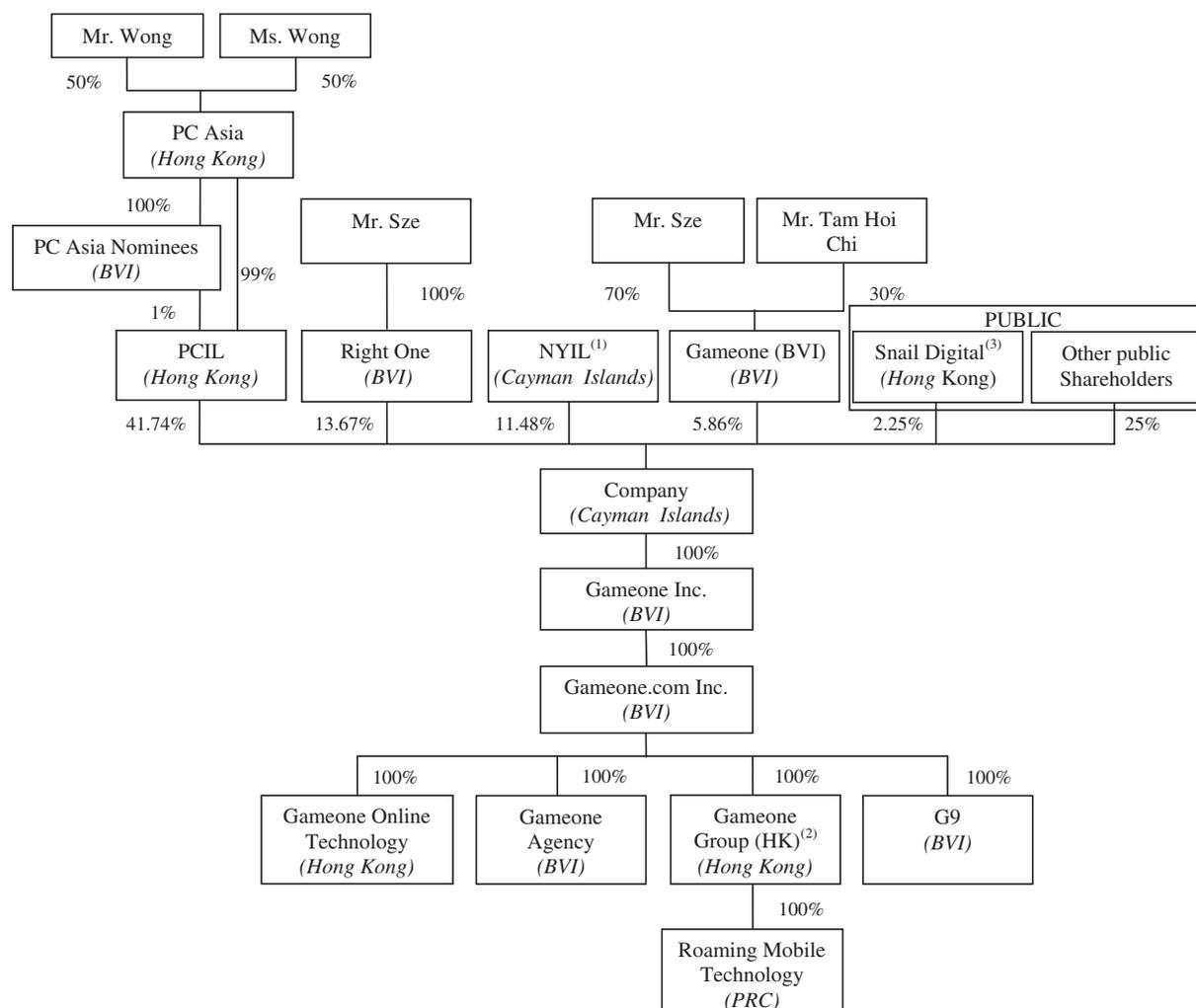
1. Based on the information provided by NYIL, NYIL is beneficially owned by Heartland Investment Limited as to approximately 44.443%, Wollerton Investments Pte. Ltd. as to approximately 18.958%, Fair Gold International Limited as to approximately 15.612%, Everstar Overseas Holding Ltd. as to approximately 10.036%, Star Fortune Overseas Holding Limited as to approximately 8% and Hongxin International Holdings Limited as to approximately 2.951%, all of whom are Independent Third Parties.
2. Gameone Group (HK) has a branch office in Taiwan, namely, New Gameone (Taiwan).

PLACING AND CAPITALIZATION ISSUE

Conditional upon the share premium account of the Company being credited as a result of the Placing, our Company will capitalize all or a portion, as the case may be, of the balance of the share premium account and applying such sum in paying up in full at nominal value a total of 111,465,993 Shares for allotment and issue to the existing shareholders of our Company, namely PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital, as to 62,037,546, 20,318,492, 17,060,968, 8,707,923 and 3,341,064 Shares, respectively (the “**Capitalization Issue**”). Immediately after the Placing and Capitalization Issue (without taking into account any Share which may be issued upon exercise of the Offer Size Adjustment Option or Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme), PCIL, Right One, NYIL, Gameone (BVI), Snail Digital and the public holders of Shares will hold 41.74%, 13.67%, 11.48%, 5.86%, 2.25% and 25.00%, respectively, of the enlarged issued share capital of our Company.

HISTORY, REORGANIZATION AND STRUCTURE OF OUR GROUP

The corporate and shareholding structure of our Group immediately following the completion of the Placing and the Capitalization Issue (without taking into account any Share which may be issued upon exercise of the Offer Size Adjustment Option or Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme) is set out as below:



Notes:

- Based on the information provided by NYIL, NYIL is beneficially owned by Heartland Investment Limited as to approximately 44.443%, Wollerton Investments Pte. Ltd. as to approximately 18.958%, Fair Gold International Limited as to approximately 15.612%, Everstar Overseas Holding Ltd. as to approximately 10.036%, Star Fortune Overseas Holding Limited as to approximately 8% and Hongxin International Holdings Limited as to approximately 2.951%, all of whom are Independent Third Parties.
- Gameone Group (HK) has a branch office in Taiwan, namely, New Gameone (Taiwan).
- As Snail Digital is neither a substantial shareholder nor a core connected person of our Company under the GEM Listing Rules, the Shares held by Snail Digital will be considered as part of the public float for the purposes of Rule 11.23 of the GEM Listing Rules.

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OVERVIEW

We are an integrated game developer, operator and publisher focusing in the market of Hong Kong and Taiwan. We operated our self-developed games and published them on our own distribution platforms and utilised our own payment channels during the Track Record Period. We also operated licensed games which utilised our own distribution platforms and payment channels. Our Directors consider such integration of upstream and downstream services in the value chain of the game industry has provided us with a better market position. Since the establishment of our predecessor group in 1999, we have participated in the game industry of Hong Kong for over 10 years. Our revenue for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, were approximately HK\$68.8 million, HK\$78.7 million and HK\$69.4 million, respectively. Approximately 97.4%, 98.1% and 99.0% of the revenue for the respective periods were contributed by income generated from game operation and publishing. For the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015, approximately 70.6%, 65.3% and 78.3% of our revenue were respectively contributed from licensed games. In addition, our top three highest revenue-generating licensed games for the respective periods contributed approximately 58.9%, 47.1% and 62.8% of our revenue for the respective periods. Among our top five suppliers during the Track Record Period, game licensor accounted for approximately 29.3%, 24.8% and 28.1% of our total purchase for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, respectively. The largest game licensor during the Track Record Period accounted for approximately 15.8%, 12.1% and 28.1% for the same period, respectively.

During the Track Record Period, the largest game licensor has granted two licenses to us, namely *Demi-Gods and Semi-Devils (Online)**(天龍八部Online) and *Demi-Gods and Semi-Devils 3D**(天龍八部3D).

According to the Ipsos Report, our market share in terms of total revenue generated from game operated/published by locally based companies in the online PC and mobile games operation/publishing market in Hong Kong was approximately 11.7% in 2014 and approximately 9.0% for the six months ended 30 June 2015, while that in Taiwan was approximately 0.3% and 0.2% for the respective periods. For details please refer to pages 67 and 70 of the “Industry Overview” section of this prospectus.

We generally adopt a free-to-play model for our games. Our game portfolio includes mobile games, online PC games and web games. As at the Latest Practicable Date, our game portfolio includes 17 mobile games, 13 online PC game and one web game. Among these games, six were self-developed games, one was a co-developed game, 12 were licensed games and 12 were games for publishing. During the Track Record Period, we offered one co-developed game, namely *The Ravages of Time — Battle**(火鳳燎原大戰) which was launched since May 2014. Most of the games have been launched for more than six months, and that the average MPU and ARPPU of the top five games for the respective periods were generally decreasing during the Track Record Period.

In order to align ourselves with the rising trend of mobile game, we shifted our strategic focus from online PC games and web games to mobile games throughout the Track Record Period and launched our first self-developed mobile game in January 2013. Currently, we strategically focus on

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mobile games. Our revenue from mobile games were approximately HK\$16.3 million, HK\$41.6 million and HK\$58.3 million for the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015 respectively, representing approximately 23.7%, 52.8% and 84.0% of our revenue during the same period.

Generally, a mobile game has an average game life of three to six months, unless we extend the game life through marketing and promotion efforts, as well as periodic updates and in-game events. For licensed games, we will discuss with game licensors for the provision of localized game updates, as well as upgrades. Periodic updates will generally be included in the license agreement for such games. We plan to continue to focus on mobile game business, including self/co-developed and licensed games, going forward. We expect the revenue contribution from mobile games will continue to increase and our future financial performance will depend on the success of our mobile game business.

We strategically focus on those games based on popular literatures, comics and animations. Our Directors believe it can maximize the market recognition and receptiveness at a reduced marketing costs, attracting readers of these popular literatures, comics and animations, being our target game players, to try and play these games. For the year ended 31 December 2013 and 2014, and the six months ended 30 June 2015, a number of our games (including the top five games for respective years/periods) were games based on popular literatures, comics or animations including, *Demi-Gods and Semi-Devils** (天龍八部) and *The Ravages of Time** (火鳳燎原). Revenue generated by games based on popular comics and animations (including self/co-developed games, licensed games and games for publishing) for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, were approximately HK\$38.3 million, HK\$36.8 million and HK\$49.4 million respectively, representing approximately 55.6%, 46.7% and 71.1% of our revenue during the same period.

As our Directors believe that an attractive theme and storyline are crucial to monetize game operation. During the Track Record Period and up to the Latest Practicable Date, by leveraging the experience and networks of our management in the game industry, we have successfully secured rights to, inter alia, adopt seven popular literatures, comics and animations, including, *Sea Tiger** (海虎), *The Ice Fantasy** (幻城), *The Storm Riders** (風雲) and *The Ravages of Time** (火鳳燎原) into games.

We generally utilise these rights to self/co-develop games. Also we may sub-license these rights to other third-party developers to develop a new game in return for sub-license fees and/or the first right of refusal to operate the resultant game. Our Directors believe that this practice can provide commercial flexibility in our operations and reduce our risk in game development. Amongst games based on popular literatures, comics and animations, more than eight of the games launched during the Track Record Period were based on development rights held by us. These games were either self/co-developed, or sub-licensed to third-party game developers, and contributed approximately HK\$15.5 million, HK\$23.9 million and HK\$13.9 million or approximately 22.5%, 30.3% and 20.0% of our revenue for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respectively.

Our roles can be divided into three major categories, namely (i) game developer, (ii) game operator and (iii) game publisher.

BUSINESS

The following table briefly outlines our role and our major types of revenue:

Our Role	Revenue Source	Revenue Type	Our Customers
Game Developer	Licensing of development rights to game developers and/or self/co-developed games to third-party game operators	Royalty and license fee income received from licensed game operators/game developers	Licensed game operator/game developers
Game Operator	Operating self/co-developed games and games licensed from game developers/operators	Game operation income derived from game players	Game players
Game Publisher	Games for publishing on our platform and/or other third-party platforms under our coordination	Game publishing income derived from game developers/operators	Game developers/operators

During the Track Record Period, our revenue are substantially derived from operating self/co-developed games and licensed games. For the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015, revenue generated from operating self/co-developed games and licensed games amounted to approximately HK\$64.6 million, HK\$74.6 million and HK\$68.1 million respectively, representing approximately 93.9%, 94.8% and 98.1% of our revenue for the respective period.

We are currently developing and/or sourcing a total of nine games in the pipeline and anticipate to publish the same in the future. For details, please refer to the paragraph headed “Game Pipeline” in this section.

COMPETITIVE STRENGTHS

We believe that our success is attributable to the following strengths which also represent significant barriers to our competitors:

We have a proven track record in developing and operating games on multi-platforms with over 10 years of experience

We are an integrated and well-established local game company focusing on game development, game operation and game publishing with over 10 years of experience. Our design philosophy is to create a unique game experience with a global appeal and a twist of Hong Kong flavour. During the course of our business, we have developed and launched a number of classical games, including our epic online PC game *The Legend of Gulong's Heroes** (古龍群俠傳) in 2002. In 2006 we introduced the online PC game *Audition (Online)** (勁舞團Online) through our game distribution platforms. In 2008 we launched the licensed online PC game *Demi-Gods and Semi-Devils (Online)** (天龍八部Online), which remained to be one of the top revenue-contributing games during the Track Record Period. We launched another self-developed online PC game *QGL Online** (夢幻古龍) in 2008 which

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received a number of awards including the Entertainment Software Silver Award for the Best Digital Entertainment Awards (Entertainment Software) in Hong Kong Information and Communication Technology Awards 2009. In 2011 we have launched the licensed online PC game *Dark of Three Ancient Kingdoms** (關三國Online) which ranks fifth in terms of revenue contribution for the year ended 31 December 2013. In 2012 we launched another licensed online PC game *Age of Wushu (Online)** (九陰真經Online), which ranks first and third in terms of our revenue contribution for the two years ended 31 December 2013 and 2014 respectively. In 2013, we launched our first self-developed mobile game *Game B* in January, followed by another self-developed mobile game *The Ravages of Time (mobile version)** (火鳳燎原手機版) in May. Both of these games were developed based on popular comic series. For details to our milestones please refer the section headed “History, Reorganization and Structure of our Group” in this prospectus. We have gradually published a variety of online PC games, web games, and mobile games in Hong Kong and Taiwan through our distribution platforms and other third-party distribution platforms including Apple Inc’s App Store and Google’s Google Play. We further license our self/co-developed games to third-party distributors to operate and publish in other territories including the PRC.

During the Track Record Period, we offered 18 mobile games, 36 online PC games and nine web games. Among these games, 10 were self-developed games, one was a co-developed game, 36 were licensed games and 16 were games for publishing.

As at the Latest Practicable Date, our game portfolio include 17 mobile games, 13 online PC games and one web game. We currently have seven mobile games and two online PC games in the pipeline.

Given our extensive market knowledge and refined experience as a game developer, operator and publisher accumulated during the past ten years, we are well positioned to capture game business opportunities and to extend our market coverage and growth.

We have good relationship with well-known game developers/operators

Our Directors believe that our market status is mainly attributable to our strong and diverse game portfolio, which in turn reflects our ability to source attractive games from other well-established game developers/operators including SEGA and CYOU.

As at the Latest Practicable Date, we obtained the licensing/publishing rights from other well-established game developers/operators:

Game Name	Genre	Game Form	Launch Date
<i>Audition Online</i> * (勁舞團Online)	Others	Online PC game	July 2006
<i>Demi-Gods and Semi-Devils (Online)</i> * (天龍八部Online)	MMORPG	Online PC game	April 2008
<i>SD Gundam Online</i> (SD高達Online)	MMOTPS	Online PC game	June 2009
<i>Age of Wushu (Online)</i> * 九陰真經Online	MMORPG	Online PC game	September 2012
<i>Dragonnest</i> * (新龍之谷)	MMORPG	Online PC game	November 2013

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Game Name	Genre	Game Form	Launch Date
<i>SEGA Soccer League</i> * (SEGA 創造球會)	Others	Mobile	July 2014
<i>My Princess is Cutest</i> * (我家公主最可愛)	Others	Mobile	September 2014
<i>Demi-Gods and Semi-Devils 3D</i> * (天龍八部3D)	MMORPG	Mobile	February 2015

For the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, the abovementioned games contributed approximately 56.5%, 55.2% and 73.6% of the revenue for the respective periods.

Apart from the abovementioned games, the following games were also from well-established game developers/operators:

Game Name	Genre	Game Form	Expected/Launch Date
<i>Age of Wushu (Mobile)</i> * (九陰真經手機版)	MMORPG	Mobile	December 2015
<i>Dachen Wushuang</i> * (大神無雙)	MMOSRPG	Mobile	1st quarter 2016
<i>The Storm Riders (Online)</i> * (風雲Online)	MMORPG	Online PC game	2nd quarter 2016

The following tables illustrates the top five game licensors in terms of revenue contribution for the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015 respectively:

Game Licensor	Respective Licensed Games	Years of commencement of business relationship	Revenue Contribution (HK\$'000)		
			For the year ended 31 December	2014	For the six months ended 30 June 2015
1. Beijing Gamease Age Digital Technology Co., Ltd. (北京暢遊時代數碼技術有限公司)	<i>Demi-Gods and Semi-Devils (Online)</i> * (天龍八部 Online)	More than 8 years	17,200	16,259	5,533
	<i>Demi-Gods and Semi-Devils 3D</i> * (天龍八部 3D)		N/A	N/A	32,393
2. Suzhou Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司)	<i>Age of Wushu (Online)</i> * (九陰真經)	More than 6 years	19,747	12,020	2,849

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	Game Licensor	Respective Licensed Games	Years of commencement of business relationship	Revenue Contribution (HK\$'000)		
				For the year ended 31 December		For the six months ended 30 June
				2013	2014	2015
3.	Licensor A	<i>Dark of Three Ancient Kingdoms Online*</i> (關三國 Online)	More than 4 years	3,586	2,890	1,138
4.	Licensor B	<i>Legend of Heros of Northern Europe*</i> (北歐英靈傳)	More than 3 years	2,115	2	1
5.	Licensor C	<i>Football Manager mobile*</i> (足球經理人手機版)	More than 2 years	1,759	2,216	266
6.	SEGA	<i>SEGA Soccer League*</i> (Sega創造球會)	More than 1 year	N/A	8,764	5,645
7.	CyberAgent	<i>My Cutest Princess*</i> (我家公主最可愛)	More than 1 year	N/A	4,510	4,197
8.	miHoYo Ci., Ltd* (上海米哈遊網路科技有限公司)	<i>Crumbling Academy*</i> (崩壞學園)	More than 1 year	N/A	1,863	1,303
Total Revenue from respective licensors				44,407	48,524	53,325
Total Revenue for the period				68,833	78,668	69,425
Approximate percentage				64.5%	61.7%	76.8%

Note:

- Licensor A is a Hangzhou (杭州) based game developer engaged in the development of online PC games as well as mobile games.
- Licensor B is a Shanghai (上海) based game developer engaged in the development of web games and online PC games.
- Licensor C is incorporated in Hong Kong and an indirect wholly-owned subsidiary of Ourpalm (北京掌趣科技股份有限公司), a PRC-listed mobile and social web game developer and publisher in the PRC.
- Beijing Gamease Age Digital Technology Co., Ltd*(北京暢遊時代數碼技術有限公司) is a Beijing based game developer and operator engaged in both game development and operation, which is a group member of CYOU.
- The top five game licensors in each reporting period during the Track Record Period are highlighted in grey.

As demonstrated above, our good relationship and ability to source attractive licensed games from well-established game developers/operators has provided us with an advantage over our competitors.

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We possess strategically important development rights

We strategically focus on those games based on popular literatures, comics and animations as our Directors believe that an attractive theme and storyline are crucial to monetize game operation. During the Track Record Period and up to the Latest Practicable Date, by leveraging the experience and networks of our management in the game industry, we have successfully secured rights to, inter alia, adopt seven popular literatures, comics and animations, including, *Sea Tiger** (海虎), *The Ice Fantasy** (幻城), *The Storm Riders** (風雲) and *The Ravages of Time** (火鳳燎原) into games.

We generally utilise these rights to self/co-develop games. Also we may sub-license these rights to other third-party developers to develop a new game in return for sub-license fees and/or the first right of refusal to operate the resultant game. Our Directors believe that this practice can provide commercial flexibility in our operations and reduce our risk in game development.

Eight of the games we operated during the Track Record Period were either (i) self/co-developed using the development rights we secured, or (ii) developed by third operating game developers with the use of the development rights we sub-licensed to them. These games together contributed approximately HK\$15.5 million, HK\$23.9 million and HK\$13.9 million or approximately 22.5%, 30.3% and 20.0% of our revenue for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respective. We also obtained fees from sub-licensing of development rights, which amounted to approximately HK\$1.8 million, HK\$1.5 million and HK\$0.7 million, representing approximately 2.6%, 1.9% and 1.0%, of the total revenue for the respective periods.

As at the Latest Practicable date, we have secured the following exclusive/non-exclusive development rights on popular literatures, comics and animations:

Name and type	Exclusive/ non-exclusive	Resulting game	Self-developed/ licensed	Status
<i>The Ravages of Time*</i> (火鳳燎原) — comic	Non-exclusive	<i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版)	Self-developed	Published in May 2013, operating right will expire in May 2016
		<i>The Ravages of Time (Online)*</i> (火鳳燎原(Online))	Self-developed	Published in May 2013, phased out in May 2014
		<i>The Ravages of Time — Battle*</i> (火鳳燎原大戰)	Co-developed	Published in May 2014, operating right will expire in May 2017
<i>Sea Tiger*</i> (海虎) — comic	Non-exclusive	<i>Sea Tiger*</i> (海虎一百萬匹)	Self-developed	Published in June 2015, operating right will expire in June 2017

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Name and type	Exclusive/ non-exclusive	Resulting game	Self-developed/ licensed	Status
<i>The Ice Fantasy*</i> (幻城) — novel	Non-exclusive	—	Licensed	Development right sub-licensed to third-party game developers. Resultant game under development and expected to launch in the first quarter of 2017 Development and operating right will expire in September 2018
<i>The Storm Riders*</i> (風雲) — comic	Non-exclusive	<i>The Storm Riders*</i> (風雲)	Licensed	Development right sub-licensed to third-party game developers. Resultant game launched in March 2014, operating right will expire in March 2017
Comic A — comic	Non-exclusive	Game A	Self-developed	Launched in November 2005, operating right will expire in August 2020
		Game B	Self-developed	Launched in January 2013, operating right will expire in August 2020
		Game C	Self-developed	Launched in January 2015, operating right will expire in August 2020
<i>Chronicles of the God's Order*</i> (封神紀) — comic	Exclusive	<i>Chronicles of the God's Order*</i> (封神紀)	Licensed	Development right sub-licensed to third-party game developers. Resultant game under development and expected to launch in the third quarter of 2016 Operating right will expire three years from official launch

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Name and type	Exclusive/ non-exclusive	Resulting game	Self-developed/ licensed	Status
<i>Kowloon Walled City*</i> (九龍城寨) — novel	Non-exclusive	—	Licensed	Identifying suitable third-party game developer to develop the game. Development and operating right will expire in May 2025

As at the Latest Practicable Date, we are in negotiations for the development rights for a renowned Japanese comic series and no agreement has been signed.

We have solid management experience and expertise in the game industry

Mr. Sze, our Chairman and executive Director, has over 10 years of experience in the game industry. He is one of the founders of Hong Kong Game Industry Association Limited, which was established in 2004. He is also the founding member of Hong Kong Novel Association. He was elected as the “1st Hong Kong Digital Entertainment Industry Person of the Year (第一屆香港數碼娛樂業風雲人物)” by the Hong Kong Digital Entertainment Association in 2007. Our Directors believe that his experience and expertise has allowed us to successfully secure the right to adopt local popular cultural titles such as *Sea Tiger** (海虎), *Chronicles of the God’s Order** (封神紀) and *Kowloon Walled City** (九龍城寨) in our games.

Mr. Hong joined our company in 2012. He has over 10 years of experience in the game industry. Before he joined the Group, he was the one of the executive directors of another multi-national game developer, responsible for the strategic development and game introduction for the Asia Pacific region. Our Directors believe that, through his experience in the game industry and relations with other game developers in Japan, we are able to directly source and license games from well-established game developers in Japan.

For further details of Mr. Sze and Mr. Hong, please refer to the section headed “Directors and Senior Management” in this prospectus.

We consider that Mr. Sze and Mr. Hong are the key driving forces to creation the execution of our Group’s strategy and believe that they will continue to employ their knowledge to manage our business. Under their leadership, our management team has successfully acquired operation rights and distributorships to popular games such as *Demi-Gods and Semi-Devils 3D** (天龍八部3D) and *SEGA Soccer League** (SEGA創造球會), as well as non-exclusive rights to develop and publish games based on popular literature titles such as *The Ravages of Time (mobile version)** (火鳳燎原手機版) and *Sea Tiger** (海虎一百萬匹).

BUSINESS

OUR STRATEGIES

We aim to execute the following strategies to further develop our game and player portfolio, and improve monetization of our games:

Expand our game portfolio through introducing more high-quality licensed games with a focus on mobile games

We recognize the rising trend in game-play through mobile devices and have begun shifting the focus of our game development and sourcing to mobile games during the Track Record Period. For instance, we launched our first self-developed mobile game Game B in 2013. We plan to continue to focus on mobile games.

In addition to self/co-developing new mobile games, we intend to expand our game portfolio through procuring more high-quality licensed games. Leveraging on our well-established game operating and publishing platforms, we have obtained regional operating licenses for games from game developers/operators in Hong Kong, Taiwan, Japan and the PRC during the Track Record Period. We will continue to diversify our game portfolio and to maintain novelty of our games.

As at the Latest Practicable Date, we have obtained operating licenses for 12 games in Hong Kong and/or Taiwan, of which eight are mobile games. We believe each of these games have a strong potential for market success. For example, we operated and launched the mobile game *Demi-Gods and Semi-Devils 3D** (天龍八部3D) in February 2015, a game licensed from a NASDAQ listed game developer, CYOU. For the six months ended 30 June 2015, this game contributed a revenue of approximately HK\$32.4 million, which is our top revenue contributing game for that period.

We are currently developing and/or sourcing a total of nine games in the pipeline and anticipate to publish the same in the future. For details, please refer to the paragraph headed “Game Pipeline” in this section.

Continue to secure development rights for popular literatures, comics and animations

In order to adapt to the fast-changing preference of game players and increase the chance of market success of our games, we will continue to seek development rights to popular literatures, comics and animations that are attractive to local game players and possess strong monetizing potentials. In May 2015 we have successfully secured the right to develop the popular literature novel *Kowloon Walled City** (九龍城寨), and is in the process of negotiations with third-party game developers to co-develop the same into a mobile game. As at the Latest Practicable Date, we are negotiating with a Japanese comic publisher for the right to develop a renowned comic series into a mobile game, and expected to confirm before the end of 2015. As at the Latest Practicable Date, no agreement has been entered into.

BUSINESS

Fully utilize existing games and development rights to broaden our revenue stream

We currently develop, operate and publish games in Traditional Chinese language only. To maximize the value of our self/co-developed games, we intend to explore market opportunity of other geographic markets by offering other language versions (such as English or Malay versions) of our self/co-developed games. In order to focus our efforts on game development, we will license such games to third-party game operators in other geographic locations besides Hong Kong and Taiwan. Meanwhile, it is our plan to adopt some of our self/co-developed online PC games classic into mobile games. We are currently considering adopting one of our strategic online PC game classic into mobile game and targeted to release the same in 2016.

In addition to the development rights secured for seven popular literatures, comics and animations as at the Latest Practicable Date, we are granted additional rights to utilize these intangible assets under the licensing agreement. For example, in addition to development rights, we are also granted the right to develop a comic adaptation for *The Ice Fantasy** (幻城) under the license agreement. By utilizing these additional rights granted, it enable for us to tap into other revenue streams and co-operate with other businesses in the future.

Enhance our game development capacity and increase the investment in game technology to increase the number of self-developed games

We strive to introduce high-quality games and deliver the superior game experience to players in order to retain their interests in our games. It is our constant endeavour to elevate the awareness of our brand-name in order to associate our brand with high-quality games and appealing game experience. This is achieved through investments in talents, expanding our game development team and hiring more staff, upgrades of software such as game engines, game-designing tools, and the acquisition of hardware to accommodate increasing technical demands for operating the games. Furthermore, our investment in technology, both in terms of hardware and software, would raise the entry barrier for future competitors as well as maintaining our competitive edge against existing competitors.

Consolidate our market position and enhance our marketing efforts

We believe the longevity of our games can be extended through promotion and marketing activities. As such, we shall increase our promotion spending on our games. Furthermore, we shall expand our player base through special promotion and marketing events, such as participating in other game fairs and festivals.

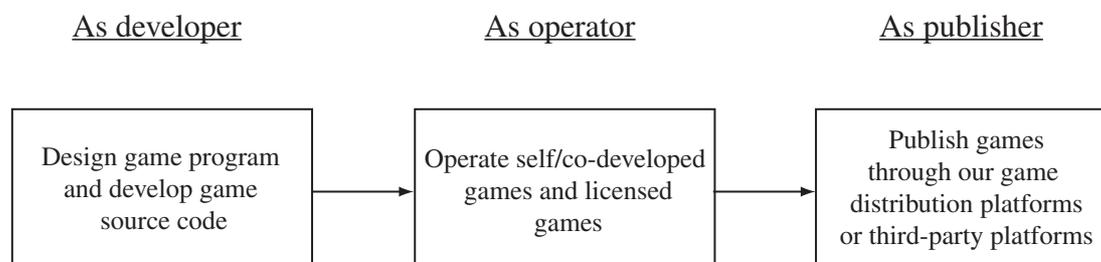
Pursue strategic alliances and acquisition opportunities

In order to increase our market share in the mobile games industry, we plan to expand our business through both organic growth and strategic acquisitions and partnerships. We intend to selectively invest in or enter into strategic partnerships with complementary game developers, development teams, other game operators and distributors in order to broaden the scope, spectrum and reach of our games, particularly mobile games. We currently do not have any identified acquisition interests.

BUSINESS

OUR BUSINESS MODEL

We are a well-established and integrated game developer, operator and publisher focusing in the markets of Hong Kong and Taiwan. We believe that integrating the upstream and downstream businesses in the game industry can allow us to achieve operational efficiency. The following diagram illustrates our roles in value chain of game industry as the developer, operator and publisher:



Our game portfolio consist of our self/co-developed games and third-party developed games, including licensed games and games for publishing. The following table summarize the key characteristics among self/co-developed games and third-party developed games, including licensed games and games for publishing:

	Our Game Portfolio		
	Self/Co-developed game	Third-Party developed game	
		<i>Licensed game</i>	<i>Games for publishing</i>
Our Role	<ul style="list-style-type: none"> • Developer, operator and publisher 	<ul style="list-style-type: none"> • Operator and publisher 	<ul style="list-style-type: none"> • Publisher
Programme Code	<ul style="list-style-type: none"> • Developed by us 	<ul style="list-style-type: none"> • Developed by game developers 	<ul style="list-style-type: none"> • Developed by game developers
Ownership of programme code	<ul style="list-style-type: none"> • Wholly owned or partially owned by us 	<ul style="list-style-type: none"> • Owned by game developers 	<ul style="list-style-type: none"> • Owned by game developers
Revenue Generation	<ul style="list-style-type: none"> • Sale of in-game virtual items 	<ul style="list-style-type: none"> • Sale of in-game virtual items 	<ul style="list-style-type: none"> • Service fees calculated based on a percentage of the net sales of in-game currency or platform's credits
Game content/updates	<ul style="list-style-type: none"> • Provided by us 	<ul style="list-style-type: none"> • Provided by game developers/operators 	<ul style="list-style-type: none"> • Provided by game developers/operators
Servers	<ul style="list-style-type: none"> • Provided by us 	<ul style="list-style-type: none"> • Provided by us 	<ul style="list-style-type: none"> • Provided by game developers/operators
Marketing	<ul style="list-style-type: none"> • By us 	<ul style="list-style-type: none"> • By us 	<ul style="list-style-type: none"> • By us and/or by operators

BUSINESS

	Our Game Portfolio		
	Self/Co-developed game	Third-Party developed game	
		<i>Licensed game</i>	<i>Games for publishing</i>
Territory	<ul style="list-style-type: none"> • Hong Kong and Taiwan 	<ul style="list-style-type: none"> • Only Hong Kong and/or Taiwan 	<ul style="list-style-type: none"> • Only Hong Kong and/or Taiwan
Pricing for in-game virtual items	<ul style="list-style-type: none"> • By us 	<ul style="list-style-type: none"> • By game developers/operators 	<ul style="list-style-type: none"> • By game developers/operators

Licensed games refer to those games operated by us but developed by other developers. We generally obtained an exclusive and/or non-exclusive right to operate and publish the respective licensed game within a specific territory for an agreed period. Games for publishing refer to those games published by us but operated by other game developers/operators. We merely provide payment collection and/or publishing services. For details regarding the difference between licensed games and games for publishing in terms of revenue generation, please refer to the “Financial Information” section in this prospectus.

We offer a wide range of games in different game forms including mobile games, online PC games and web games on a free-to-play basis. Players can register a game account in the servers of our self/co-developed games and/or licensed games. If they wish to further enhance their in-game experience, such as enhancing the powers and obtaining premium features, they may purchase in-game virtual items using in-game currency or credits of game distribution platforms. A wide variety of new in-game virtual items are offered and new in-game events are frequently introduced to maintain game players’ interest in the game and attract game players to spend more to enhance the in-game experience.

As developer

Our self/co-developed games are generally mobile games or online PC game. We believe that the success and playability of a game lies in a strong and clear-cut theme/storyline. As such we place emphasis on securing the intellectual property and development rights of strategic themes and storylines that has strong potential for adopting into games.

To increase the marketability and coverage of our self/co-developed games beyond Hong Kong and Taiwan, we also licensed our self/co-developed games to third-party game operators with exclusive and/or non-exclusive right to operate and publish within a specific territory for an agreed period. In return, we will receive royalties which represents a certain percentage of our licensee’s net sales of in-game currency or platforms’ credits in accordance with the terms of the licensing agreement.

BUSINESS

As operator

In addition to operating our self/co-developed games, as a game operator we seek to obtain licenses for high-quality online PC games, mobile games and web games. We will market, advertise and publish these games through our game distribution platforms as well as other third-party distribution platforms. As a game operator we will be responsible for the provision of local customer services as well as management of the local game servers, whilst our licensor will be responsible for provision of game source codes, updates and upgrades.

As publisher

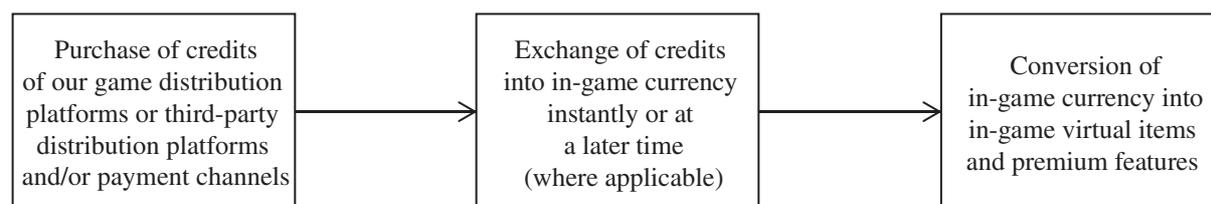
We published our self/co-developed games and licensed games in Hong Kong and/or Taiwan primarily through our game distribution platforms which include our Company websites and the websites of individual games, as well as other third-party distribution platforms. As we evolved our focus to mobile games, we have further cooperate with major mobile game third party distribution platforms, including Apple Inc's App Store and Google's Google Play, in order to reach a variety of mobile device users. We also offer our game distribution platforms and payment system to third-party game operators that wish to expand to Hong Kong.

OUR REVENUE MODEL

Our self/co-developed games and licensed games generate revenue primarily from the sales of in-game virtual items that enable game players to advance in the game more conveniently or enhancing game players' in-game experience through obtaining additional powers, abilities, or the attractiveness of their in-game characters. Under this free-to-play model, players can play the basic features of the games for free.

When game players want to enhance their in-game experience, they can purchase virtual credits of our game distribution platforms or third-party distribution platforms, which may be exchanged into in-game currency instantly or at a later time. For some of our games, players can purchase in-game virtual items directly from the credits of our game distribution platforms. The credits and/or in-game currency can be used to acquire a variety of in-game virtual items and premium features and to gain access to new or more challenging tasks. Such in-game currency and the virtual credits of game distribution platforms cannot be exchanged for real currency and have no monetary value outside the respective games.

We set out below the general steps in relation to the purchase of credits, their exchange into in-game currency (where applicable) and conversion into in-game virtual items and premium features:



BUSINESS

When we publish our self/co-developed games and licensed games, we take the primary responsibilities in rendering services to game players purchasing in-game virtual items and recognise revenue from sales of in-game virtual items to respective game players when services represented by such in-game virtual items are provided to them.

When we license our self/co-developed games to third party licensees out of Hong Kong and Taiwan markets, we do not assume the primary responsibilities in rendering services to game players purchasing in-game virtual items and generate revenue from license fee and royalties which represents a certain percentage of our licensee's net sales of in-game currency or credits of game distribution platforms in accordance with the terms of the licensing agreement.

When we provide game publishing services for other third parties game developers/operators, we acted as an agent for providing payment collection services and/or publishing their games through our game distribution platforms. These publishing rights are generally granted to us on an exclusive basis in the specified geographical areas. The game developers/operators will be responsible for the contents updates and servers maintenance, whilst we are responsible for publishing the games on our game distribution platforms, such as www.gameone.com, and/or the provision of payment collection services. In return, we receive service fee which represents a percentage of their net sales of in-game currency.

The following table sets out a breakdown of our revenue by its type in absolute amount and as percentage of our revenue for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June	
	2013		2014		2015	
	HKD'000	%	HKD'000	%	HKD'000	%
Game operation income						
- Self/co-developed games*	16,023	23.3	23,238	29.5	13,768	19.8
- Licensed games	48,621	70.6	51,351	65.3	54,334	78.3
Game publishing income						
- Games for publishing	<u>2,420</u>	<u>3.5</u>	<u>2,610</u>	<u>3.3</u>	<u>608</u>	<u>0.9</u>
Income from game operation and publishing	67,064	97.4	77,199	98.1	68,710	99.0
Royalty income*	1,769	2.6	1,054	1.4	81	0.1
License fee income	<u>—</u>	<u>—</u>	<u>415</u>	<u>0.5</u>	<u>634</u>	<u>0.9</u>
Total	<u>68,833</u>	<u>100.0</u>	<u>78,668</u>	<u>100.0</u>	<u>69,425</u>	<u>100.0</u>

*Note: also represent income from being a game developer.

In addition, approximately 2.6%, 1.9% and 1.0% of our revenue for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015 respectively are royalty income and license fee income that we received for (i) licensing our self/co-developed games to third-party game operators to publish in geographic regions other than Hong Kong and Taiwan and (ii) sub-licensing of development rights to popular literature titles, comics and animations, respectively.

BUSINESS

Our game portfolio includes mobile games, online PC games and web games. Currently, we are strategically focused on mobile games. Our revenue from mobile games were approximately HK\$16.3 million, HK\$41.6 million and HK\$58.3 million for the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015 respectively, representing approximately 23.7%, 52.8% and 84.0% of our revenue during the same period. We plan to continue to focus on mobile game business, including self /co-developed and licensed games, going forward. We expect the revenue contribution from mobile games will continue to increase and our future financial performance will depend on the success of our mobile game business.

During the Track Record Period, a number of our games (including top five games) were games based on popular literatures, comics or animations including, *Demi-Gods and Semi-Devils** (天龍八部) and *The Ravages of Time** (火鳳燎原). Our Directors believe that this can attract loyal readers of these literatures, comics or animations to become our game players. Revenue generated by these games for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, were approximately HK\$38.3 million, HK\$36.8 million and HK\$49.4 million respectively representing 55.6%, 46.7% and 71.1% of our revenue during the same period. Amongst games based on popular literatures, comics and animations, eight of the games we offered during the Track Record Period were based on development rights held by us. These eight games were either self/co-developed, or sub-licensed to third-party game developers, and contributed approximately HK\$15.5 million, HK\$23.9 million and HK\$13.9 million or approximately 22.5%, 30.3% and 20.0% of our revenue for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respective.

The following table sets forth breakdown of our revenue by (i) game forms; and (ii) top five revenue-generating games and other games in absolute amounts and as percentage of our total revenue for the period indicated:

	For the year ended 31 December				For the six months ended 30 June	
	2013		2014		2015	
	HKD'000	%	HKD'000	%	HKD'000	%
Mobile games	16,341	24.4	41,551	53.8	58,309	84.9
Online PC games	48,480	72.3	34,698	45.0	10,206	14.9
Web games	2,243	3.3	950	1.2	195	0.2
Income from game operation and publishing	<u>67,064</u>	<u>100.0</u>	<u>77,199</u>	<u>100.0</u>	<u>68,710</u>	<u>100.0</u>

BUSINESS

The following table sets out a breakdown of our revenue by top five games operated and published by us in absolute amounts and as percentages of our revenue from game operation and publishing for the period indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HKD'000	%	HKD'000	%	HKD'000	%	HKD'000	%
	(Unaudited)							
Game B ⁽³⁾⁽⁵⁾	4,762	6.9	704	0.9	490	1.3	83	0.1
<i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版) ⁽³⁾⁽⁵⁾	9,804	14.2	16,766	21.3	10,228	27.4	7,702	11.1
Game C ⁽³⁾⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A	4,412	6.4
<i>Demi-Gods and Semi-Devils (Online)*</i> (天龍八部 Online) ⁽⁴⁾⁽⁶⁾	17,200	25.0	16,259	20.7	10,160	27.2	5,533	8.0
<i>Dark of Three Ancient Kingdoms Online*</i> (關三國 Online) ⁽⁴⁾⁽⁶⁾	3,586	5.2	2,890	3.7	1,628	4.4	1,138	1.6
<i>Age of Wushu (Online)*</i> (九陰真經 Online) ⁽⁴⁾⁽⁶⁾	19,747	28.7	12,020	15.3	7,084	19.0	2,849	4.1
<i>The Ravages of Time — Battle*</i> (火鳳燎原大戰) ⁽³⁾⁽⁵⁾	N/A	N/A	5,500	7.0	1,635	4.4	1,081	1.6
<i>SEGA Soccer League*</i> (SEGA 創造球會) ⁽⁴⁾⁽⁵⁾	N/A	N/A	8,764	11.1	N/A	N/A	5,646	8.1
<i>Demi-Gods and Semi-Devils 3D*</i> (天龍八部 3D) ⁽⁴⁾⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A	32,393	46.7
Top Five Subtotal¹	55,099	80.0	59,309	75.4	30,735	82.4	55,686	80.3
Other games ²	11,965	17.4	17,890	22.7	5,565	14.8	13,024	18.7
Income from game operation and publishing	67,064	97.4	77,199	98.1	36,300	97.2	68,710	99.0
License fee and royalty income	1,769	2.6	1,469	1.9	1,032	2.8	715	1.0
Total Revenue	68,833	100.0	78,668	100.0	37,332	100.0	69,425	100.0

Notes:

- Revenue of the top five highest revenue-generating games in each reporting period during the Track Record Period are highlighted in grey.
- These include games that are operated or published by us through our game distribution platforms or other third-party distribution platforms. Some of the examples include (i) *My Cutest Princess** (我家公主最可愛), a licensed game launched in September 2014, which contributed revenue of approximately HK\$4.5 million and HK\$4.2 million for the year ended 31 December 2014 and six months ended 30 June 2015, respectively; (ii) *SD Gundam Online** (SD 高達Online), an online PC game for publishing in June 2009, which contributed net revenue of approximately HK\$1.6 million, HK\$0.9 million and HK\$0.2 million for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respectively; and (iii) *Sea Tiger** (海虎一百萬匹), a self-developed game launched in June 2015 and contributed revenue of approximately HK\$0.4 million for the six months ended 30 June 2015. *SD Gundam Online** (SD 高達Online) subsequently phased out in the end of July 2015.
- These are self/co-developed games.
- These are licensed games.
- These are mobile games.
- These are online PC games.

OUR GAMES

We provide a wide range of mobile games, online PC games and web games on a free-to-play basis that targets players in Hong Kong and Taiwan. Notably a number of the games developed, operated or published by us are game adoption of famous popular literatures, comics or animations. All of the games we operate and publish are in Traditional Chinese only.

After initial commercialization or launch of a game, we would normally adjust our marketing strategies based on market receptiveness so as to attract more game players. Based on past experience, our Directors estimate that it normally takes six to twelve months for a new online PC game to achieve maturity. For mobile games, our Directors estimate that it normally has a game life of three to six months, and considerable revenue is generated in the first three to six months. Our Directors noticed that when a game reached its maturity, the amount of revenue generated and the number of game players will begin to decline and decrease. In response, we will introduce upgrades and enhancement for our self/co-developed games, communicate with developers for our licensed games and games for publishing to arrange in-game marketing campaign and updates, and also increase in marketing and promotion efforts in order to maintain a game's popularity and to slow down the decline.

The following sets-forth an illustration of some of our representative games launched during the Track Record Period:

*Demi-Gods and Semi-Devils 3D** (天龍八部3D)



We launched *Demi-Gods and Semi-Devils 3D** in February 2015. This is a mobile game licensed from another game developer in the PRC, CYOU, and we are granted the license to operate this MMORPG game in Hong Kong. The game background is set at Song Dynasty of China and is based on the novel *Demi-Gods and Semi-Devils** (天龍八部).

BUSINESS

Like other MMORPGs, players will control their avatar to fulfil different tasks and missions in the game world. Interaction with both game characters as well as other avatars will provide leads and hints to completing missions. To assist players coordinate inside the game, there is an instant chat function embedded in the game interface.

This game ranks first in terms of our revenue contribution for the six months ended 30 June 2015.

As at the Latest Practicable Date, we are still operating and publishing *Demi-Gods and Semi-Devils 3D** in Hong Kong. As at the Latest Practicable Date, we generally offered in-game virtual items to non-VIP players with price ranging from approximately HK\$1.0 to HK\$730.0. According to Ipsos Report, our game *Demi-Gods and Semi-Devils 3D** (天龍八部 3D) ranked the top mobile RPG game in Hong Kong in terms of revenue in the first half of 2015.

Material terms of the license agreement are summarised as follows:

1. License period : Three years from first date of commercial launch
2. Royalty and license fee : (i) a fixed license fee (版權金);
(ii) 35% for the first HK\$3.0 million monthly net sales (after deducting fees payable to third-party game distribution platforms and payment channel services) from operating the game; and
Any exceeding amount of the monthly net sales will charge 30%
3. Licensed territory : Hong Kong and Macau
4. Exclusivity : Exclusive license within the licensed territory

The Ravages of Time (mobile version) (火鳳燎原手機版)*



We launched *The Ravages of Time (mobile version)* (火鳳燎原手機版)* in May 2013. This is a self-developed mobile card game based on the popular comic series *The Ravages of Time**. Players will overcome challenges based on different stages of development of the comic's storyline. Through completing missions using comic character cards, players will gain in-game virtual items such as weapons and consumables, as well as random game character cards. Players can also purchase the same through in-game stores, but the exact contents of each of this card-packs will only be known after making the transaction.

This game ranks third, second and second in terms of our revenue contribution for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015 respectively.

As at the Latest Practicable Date, we are still operating and publishing *The Ravages of Time (mobile version)** in Hong Kong and Taiwan. As at the Latest Practicable Date, we offered in-game virtual items to players with price ranging from approximately HK\$5.0 to HK\$300.0.

BUSINESS

Demi-Gods and Semi-Devils (Online) (天龍八部Online)*



Demi-Gods and Semi-Devils (Online) (天龍八部Online)* is an online PC game that we operated and published in Hong Kong since April 2008. This game remains to be one of our most popular online PC games, with an ARPPU of approximately HK\$1,397.5 for the six months ended 30 June 2015.

For marketing and promotion purposes, the updated version of this game is promoted under the new name *New Demi-Gods and Semi-Devils* (新天龍八部)*.

Licensed from CYOU, a game developer in PRC, this MMORPG features the main characters and storyline of the renowned novel *Demi-Gods and Semi-Devils* (天龍八部)*.

Players will control their avatar to complete random missions in the game world. Through these missions players can interact with prominent novel characters and with their assistance, fulfil mission objectives in return for rewards, such as in-game virtual items or in-game currency. Players can also chat with other players using the chat interface.

This game ranks second, first and fourth in terms of our revenue contribution for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015 respectively.

As at the Latest Practicable Date, we are still operating and publishing *Demi-Gods and Semi-Devils Online* (天龍八部Online)* in Hong Kong. As at the Latest Practicable Date, we offered in-game virtual items to players with price ranging from approximately HK\$1.0 to HK\$1,500.0.

BUSINESS

Material terms of the latest renewed license agreement dated 16 April 2014 for this game are summarised as follows:

1. License expiry date : 16 April 2017 (three years from agreement date)
2. Royalty and license fee : (i) a non-refundable license fee;
(ii) approximately 27.0% of the monthly top-up value of game credits;
(iii) 5.0% of the sales of other game related items, as approved by the licensor (if any); and
(iv) approximately 25.0% of the sales of any game packs that contain in-game virtual items, as approved by the licensor (if any).
3. Licensed territory : Hong Kong and Macau
4. Exclusivity : Exclusive operation within the licensed territory

Age of Wushu (Online) (九陰真經Online)*



We launched *Age of Wushu (Online)* (九陰真經Online)* in September 2012. This is a MMORPG online PC game licensed from Snail Digital, a PRC game company (which is also a member of our Pre-IPO Investor) in the PRC. We operate and publish this game in Hong Kong. The game background is set against a time in ancient China and based on theme of Chinese martial arts in a mix of many wuxia novel features.

Players can choose to join one of the eight factions in the game for their avatar, which the player will control to fulfil different tasks and missions in the game world. There is a main storyline and side-line missions to choose from.

BUSINESS

This game ranks first and third in terms of our revenue contribution for the two years ended 31 December 2013 and 2014 respectively.

As at the Latest Practicable Date, we are still operating and publishing *Age of Wushu (Online)** (九陰真經Online) in Hong Kong. As at the Latest Practicable Date, we offered in-game virtual items to players with price ranging from approximately HK\$20.0 to HK\$1,700.0.

Material terms of the latest renewed license agreement dated 18 August 2015 for this game are summarised as follows:

1. License expiry date : 11 September 2016 (one year from 12 September 2015)
2. Royalty and any license fee in the latest license agreement : 40% of the net monthly sales generated from operating the game
3. Licensed territory : Hong Kong and Macau
4. Exclusivity : Exclusive license within the licensed territory

Game C

We launched *Game C* in January 2015. This is another self-developed mobile game using the themes of the comic series, Comic A. Previously adopted into a movie series, Comic A is a well-known Hong Kong gangster comic series that depicts the rise of a young gangster who eventually becomes the gang leader of Causeway Bay. The game player control the game avatar, being a leader of a small gang, to complete different missions. The ultimate goal of the game is to achieve domination over districts in Hong Kong and in Taiwan.

This game ranks fifth in terms of revenue contribution for the six months ended 30 June 2015.

As at the Latest Practicable Date, we are still operating and publishing *Game C* in Hong Kong and Taiwan. As at the Latest Practicable Date, we offered in-game virtual items to players with price ranging from approximately HK\$1.0 to HK\$170.0.

*The Ravages of Time — Battle** (火鳳燎原大戰)



We launched *The Ravages of Time — Battle** (火鳳燎原大戰) in Hong Kong and Taiwan in May 2014. This is a co-developed mobile game and our second mobile game developed based on the popular comic series *The Ravages of Time** (火鳳燎原).

This is a mission-based game where players control an army led by a maximum of five comic characters to conquer castles defended by the computer within a fixed period of time. Conquests will result in gaining new comic characters that have different attributes and higher levels. Players can also acquire consumables using in-game currency.

This game ranks fifth in terms of revenue contribution for the year ended 31 December 2014.

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As at the Latest Practicable Date, we are operating *The Ravages of Time — Battle** (火鳳燎原大戰) in Hong Kong and Taiwan. As at the Latest Practicable Date, we offered in-game currency to players at HK\$8.3 per in-game currency, and per consumables at one in-game currency.

Material terms for the agreement with the co-developer are summarised as follows:

1. Development right expiry date : Six months ending 31 December 2013
2. Game operating territory : Our Group:
Hong Kong, Macau and Taiwan

Co-developer:
The PRC
3. Game operating right period : Three years from first date of commercial launch
4. Sharing of operating net income (e.g. deducting distribution and payment channel fees) : 50% each. If the game is published by third-party game distributors in the PRC introduced by the co-developer, then co-developer (60%), our Group (40%)
5. Ownership of resultant game : Our Group and the co-developer

*Dark of Three Ancient Kingdoms Online** (闇三國Online)



*Dark of Three Ancient Kingdoms Online** (闇三國Online) is a licensed online PC game that we operated and published in Hong Kong and Taiwan since September 2011.

We licensed this game from a PRC developer. This is a multiplayer online battle arena (MOBA) game.

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Players will control one of the characters and form teams with other players. As this is a MOBA game the objective would be to defeat other game players' teams. Successful conquest of other team's bases will be rewarded with in-game virtual items and in-game credits.

This game ranks fifth in terms of revenue contribution for the year ended 31 December 2013.

As at the Latest Practicable Date, we are still operating and publishing the *Dark of Three Ancient Kingdoms Online** (闇三國Online) in Hong Kong and Taiwan. As at the Latest Practicable Date, we offered in-game virtual items to players with price ranging from approximately HK\$1.0 to HK\$2,100.0.

Material terms of the license for this game are summarised as follows:

1. License expiry date : Up to three years from first date of commercial launch of the mobile game, subsequently extended by one year.
2. Royalty and license fee : (i) a fixed licensed fee; and
(ii) 25% for the first HK\$5 million monthly net sales (after deducting fees payable to third-party game distribution platforms and payment channel services) from operating the game.

Any amount of monthly net sales exceeding HK\$5 million will charge 28%.

Any amount of monthly net sales exceeding HK\$10 million will charge 30%.
3. Licensed territory : Hong Kong, Macau, Singapore, Malaysia and Taiwan
4. Exclusivity : Exclusive license within the licensed territory

SEGA Soccer League* (SEGA 創造球會)

We launched *SEGA Soccer League** (SEGA 創造球會) in July 2014. This is a mobile game we licensed from a Japanese game corporation, SEGA, in Hong Kong. In this game, the player is the manager of a local football team. Through winning each soccer match and achieving specific criteria, player will be rewarded with new football stars from local and international football teams. Through participating in football matches and tournaments, football stars will gain experience. Players can also purchase in-game virtual items such as replenishments using in-game currency.

This game ranks fourth and third in terms of revenue contribution for the year ended 31 December 2014 and six months ended 30 June 2015 respectively.

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As at the Latest Practicable Date, we are still operating and publishing *SEGA Soccer League** (SEGA 創造球會) in Hong Kong. As at the Latest Practicable Date, we offered in-game virtual items to players with price ranging from approximately HK\$41.5 to HK\$74.7.

Material terms of the license for this game are summarised as follows:

1. License expiry date : Three years from first date of commercial launch of the mobile game, subsequently extended by one year.
2. Royalty and license fee : (i) a fixed license fee;
(ii) 33% of the net sales (after deducting fees payable to third-party game distribution platforms and payment channel services) from operating the game.
3. Licensed territory : Hong Kong and Macau
4. Exclusivity : Non-exclusive license within the licensed territory

Game B

We launched our first self-developed mobile game, *Game B* in January 2013. This is a MMORPG based on the comic series *Comic A*. Our development team made use of the comic's storyline and artwork in the development. Players will act as the leader of a small gangster group. Different characters from the *Comic A* comic will appear in the game and some of them, will form part of the player's gangster group. Through completing different missions based on the comic's storyline, players can earn in-game currency and in-game virtual items.

This game ranks fourth in terms of revenue contribution for the year ended 31 December 2013.

As at the Latest Practicable Date, we are still operating and publishing *Game B* in Hong Kong and Taiwan. As at the Latest Practicable Date, we offered in-game virtual items to players with price ranging from approximately HK\$2.0 to HK\$140.0.

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The following table sets out (i) a breakdown of our revenue contributed by the top five representative games (all in Traditional Chinese language) that we operate and published in the respective periods indicated and (ii) key information of the top five games during the Track Record Period:

Title (English Translation) ⁽²⁾	Form	Genre	Game Source (license/operating right expiry)	Focused Market	Published Date ⁽¹⁾	Status	Revenue Contribution							
							For the year ended 31 December		For the six months ended 30 June					
							2013	2014	2014	2015	2014	2015	%	%
1. Game B	Mobile	MMORPG	Self-developed based on non-exclusive game development rights (Aug 2020)	Hong Kong and Taiwan	15 Jan 2013	Operating	4,762	6.9	704	0.9	490	1.3	83	0.1
2. <i>The Ravages of Time (mobile version)</i> (火鳳燎原手機版)*	Mobile	RPG (card)	Self-developed based on non-exclusive game development rights (May 2016)	Hong Kong and Taiwan	20 May 2013	Operating	9,804	14.2	16,766	21.3	10,228	27.4	7,702	11.1
3. Game C	Mobile	MMORPG	Self-developed based on non-exclusive game development rights (Aug 2020)	Hong Kong and Taiwan	15 Jan 2015	Operating	N/A	N/A	N/A	N/A	N/A	N/A	4,412	6.4
4. <i>Demi-Gods and Semi-Devils (Online)</i> ⁽³⁾ (天龍八部Online)	Online PC	MMORPG	Licensed (Apr 2017)	Hong Kong	16 Apr 2008	Operating	17,200	25.0	16,259	20.7	10,160	27.2	5,533	8.0
5. <i>Dark of Three Ancient Kingdoms Online</i> (關三國Online)	Online PC	MOBA (multiplayer online battle arena)	Licensed (Nov 2016)	Hong Kong and Taiwan	9 Nov 2011	Operating	3,586	5.2	2,890	3.7	1,628	4.4	1,138	1.6

* Note: A simplified Chinese version of this mobile game, in Android format, has been licensed to third-party distributors to operate and publish in the PRC since January 2014.

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		Revenue Contribution													
		For the year ended 31 December			For the six months ended 30 June										
Title (English Translation) ⁽²⁾	Form	Genre	Game Source (license/operating right expiry)	Focused Market	Published Date ⁽¹⁾	Status	2013	2014	2014	2014	2015	2015			
							(HK\$'000)	%	(HK\$'000)	%	(HK\$'000)	%			
							(unaudited)								
6.	<i>Age of Wushu (Online)</i> (九陰真經Online)	Online PC	MMORPG	Licensed (Sep 2016)	Hong Kong	13 Sep 2012	Operating	19,747	28.7	12,020	15.3	7,084	19.0	2,849	4.1
7.	<i>The Ravages of Time – Battle</i> (火鳳燎原大戰)	Mobile	SRPG	Co-developed based on non-exclusive game development rights (May 2017)	Hong Kong and Taiwan	6 May 2014	Operating	N/A	N/A	5,500	7.0	1,635	4.4	1,081	1.6
8.	<i>SEGA Soccer League</i> (SEGA 創造球會)	Mobile	Others	Licensed (Jun 2016)	Hong Kong	23 Jul 2014	Operating	N/A	N/A	8,764	11.1	N/A	N/A	5,646	8.1
9.	<i>Demi-Gods and Semi-Devils 3D</i> (天龍八部3D)	Mobile	MMORPG	Licensed (Feb 2018)	Hong Kong	11 Feb 2015	Operating	N/A	N/A	N/A	N/A	N/A	N/A	32,393	46.7
Top Five Subtotal⁽⁴⁾							55,099	80.0	59,309	75.4	30,735	82.4	55,686	80.3	
Other games ⁽⁵⁾							11,965	17.4	17,890	22.7	5,565	14.8	13,024	18.7	
Income from game operation and publishing							67,064	97.4	77,199	98.1	36,300	97.2	68,710	99.0	
License fee and royalty income							1,769	2.6	1,469	1.9	1,032	2.8	715	1.0	
Total Revenue							68,833	100.0	78,668	100.0	37,332	100.0	69,425	100.0	

Notes:

- (1) A mobile game is “published” when it is available for download through our game distribution platforms, App Store or Google Play, while a web game and an online PC game is “published” when it is launched through our game distribution platforms.
- (2) English Translation of the name of each of the above games are for identification purposes only.
- (3) Also known as *New Demi-Gods and Semi-Devils* (新天龍八部)
- (4) Revenue of the top five highest revenue-generating games in each reporting period during the Track Record Period are highlighted in grey.
- (5) These include games that are operated or published by us through our game distribution platforms or other third-party distribution platforms. Some of the examples include (i) *My Cutest Princess** (我家公主最可愛), a licensed game launched in September 2014, which contributed revenue of approximately HK\$4.5 million and HK\$4.2 million for the year ended 31 December 2014 and six months ended 30 June 2015, respectively; (ii) *SD Gundam Online** (SD 高達Online), an online PC game for publishing in June 2009, which contributed net revenue of approximately HK\$1.6 million, HK\$0.9 million and HK\$0.2 million for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respectively; and (iii) *Sea Tiger** (海虎一百萬匹), a self-developed game launched in June 2015 and contributed revenue of approximately HK\$0.4 million for the six months ended 30 June 2015. *SD Gundam Online** (SD 高達Online) subsequently phased out in the end of July 2015.

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Average MPU and ARPPU per game

The table below sets forth the breakdown of the average MPU and the ARPPU of our top five games for the years/period indicated, or in such period from the commercialization of the games to the end of the periods indicated, which together contributes more than 75.0% of the revenue for the period:

Name of the top five game	For the year ended 31 December		For the six months ended
	2013	2014	30 June 2015
<i>Average MPUs (i.e. total MPU of the period/number of months in that period)</i>			
<i>Game B</i>	834	99	43
<i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版)	1,054	768	556
<i>Game C</i>	N/A	N/A	765
<i>Demi-Gods and Semi-Devils (Online)*</i> (天龍八部Online)	1,666	996	660
<i>Dark of Three Ancient Kingdoms Online*</i> (關三國Online)	1,042	649	404
<i>Age of Wushu (Online)* (九陰真經Online)</i>	3,984	977	595
<i>The Ravages of Time — Battle* (火鳳燎原大戰)</i>	N/A	755	207
<i>SEGA Soccer League* (SEGA創造球會)</i>	N/A	1,350	419
<i>Demi-Gods and Semi-Devils 3D* (天龍八部3D)</i>	N/A	N/A	4,510
<i>ARPPUs (i.e. Average monthly revenue for that game for the period/Average of MPU for the period) (HK\$)</i>			
<i>Game B</i>	476.0	592.0	318.0
<i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版)	1,162.5	1,818.8	2,308.1
<i>Game C</i>	N/A	N/A	961.9
<i>Demi-Gods and Semi-Devils* (Online)</i> (天龍八部Online)	860.4	1,360.2	1,397.5
<i>Dark of Three Ancient Kingdoms Online*</i> (關三國Online)	286.7	371.2	467.0
<i>Age of Wushu (Online)* (九陰真經Online)</i>	413.0	1,025.2	798.1
<i>The Ravages of Time — Battle* (火鳳燎原大戰)</i>	N/A	911.0	870.2
<i>SEGA Soccer League* (SEGA創造球會)</i>	N/A	1,082.0	2,243.9
<i>Demi-Gods and Semi-Devils 3D* (天龍八部3D)</i>	N/A	N/A	1,436.6

Notes:

1. Revenue of the top five highest revenue generating games in each reporting period during the Track Record Period is highlighted in grey, which contributed over 75.0% of the revenue for each of the respective periods.
2. We have also launched more than 50 games other than the abovementioned nine games during the Track Record Period, including self/co-developed games, licensed games and games for publishing. However, due to the limited resources on storage and size of historical data, we only maintained the operating data, such as average MPU and ARPPU, for self/co-developed games and certain licensed games.

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Games Launched after the Track Record Period and up to the Latest Practicable Date

From 1 July 2015 and up to the Latest Practicable Date, we have further published/launched the following games in the sequence below:

Name of game	Genre	Platform	Licensed/games for publishing	Publishing month	Average MPU	ARPPU
					Since publishing date up to 31 October 2015	Since publishing date up to 31 October 2015
						(HK\$)
1. <i>The Legend of Gulong's Heroes (Mobile)*</i> (古龍群俠傳手機版)	MMORPG	Mobile	Licensed	July 2015	866	1,099.3
2. <i>King Online*</i> (君王之王)	MMORPG	Mobile	Licensed	September 2015	256	806.5
3. <i>Pocodun*</i> (波可龍迷宮)	RPG	Mobile	Game for publishing ¹	September 2015	N/A	N/A
4. <i>Football Master*</i> (足球大師)	Others	Mobile	Game for publishing ¹	October 2015	N/A	N/A
5. <i>Age of Wushu (Mobile)*</i> (九陰真經手機版)	MMORPG	Mobile	Licensed	December 2015	N/A	N/A

Note:

- For the game for publishing, we have no access to the operating data of such game and therefore are unable to obtain data necessary for calculating the average MPU and ARPPU.

Game Pipeline

We are developing or have secured license for a total of nine games in the pipeline and anticipate to publish the same in the following sequence as at the Latest Practicable Date:

Name of game ⁽¹⁾	Genre	Type	Self-developed/ licensed ⁽³⁾ / games for publishing	Expected publishing period
1. <i>Dachen Wushuang*</i> (大神無雙)	MMOSRPG	Mobile	Licensed ⁽⁴⁾	1st quarter 2016

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	Name of game ⁽¹⁾	Genre	Type	Self-developed/ licensed ⁽³⁾ / games for publishing	Expected publishing period
2.	<i>Bulang Dao</i> * (不良道)	RPG	Mobile	Licensed	1st quarter 2016
3.	<i>Game D</i>	SRPG	Mobile	Licensed	1st quarter 2016
4.	<i>Game E</i>	MMORPG	Mobile	Licensed	1st quarter 2016
5.	<i>Daota Xiyou</i> * (刀塔西遊)	MMORPG	Mobile	Licensed	2nd quarter 2016
6.	<i>The Storm Riders</i> (online)* (風雲Online)	MMORPG	Online PC	Licensed	2nd quarter 2016
7.	<i>Chronicles of the God's Order</i> * (封神紀)	MMORPG	Mobile	Licensed ⁽²⁾	3rd quarter 2016
8.	<i>Warlocks</i> * (魔法軍團)	SLG	Mobile	Self-developed	4th quarter 2016
9.	<i>Ice Fantasy</i> * (幻城)	MMORPG	Online PC	Licensed ⁽²⁾	1st quarter 2017

In addition and subject to the market conditions, we plan to launch an additional three to four games in 2016.

Note:

- (1) The name of the above games are provisional, and may differ upon publishing.
- (2) Our development right was sub-licensed to third-party game developer and secured game operation and publishing rights of the resultant games.
- (3) The licensed operating period of the above games generally ranges from 24 months to 36 months starting from commercial launch.
- (4) Net proceeds from the Placing will be used to settle the fees payable to secure the license. As for other games, internal resources will be used.

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Updates to Current Games

As part of our effort to extend our game life, updates to the following games were/will be launched in the following sequence:

Name of game	Genre	Type	Self-developed/ licensed	Actual update	Nature of updates
1. <i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版)	RPG (Card)	Mobile	Self-developed	September 2015	New contents, such as new characters
2. <i>Sea Tiger*</i> (海虎一百萬匹)	RPG (Card)	Mobile	Self-developed	September 2015	New contents and new system, such as new game interface, new characters, new quests
3. <i>SEGA Soccer League*</i> (SEGA創造球會)	Others	Mobile	Licensed	4th quarter 2015	New contents and new system, such as new game interface, new characters, new quests
4. <i>My Cutest Princess*</i> (我家公主最可愛)	Others	Mobile	Licensed	4th quarter 2015	New contents and new system, such as new game interface, new characters, new quests
5. <i>Game C</i>	MMORPG	Mobile	Self-developed	4th quarter 2015	New contents and new system, such as new game interface, new characters, new quests
6. <i>The Ravages of Time — Battle*</i> (火鳳燎原大戰)	SRPG	Mobile	Co-developed	4th quarter 2015	New contents, such as new characters
7. <i>Demi-Gods and Semi-Devils 3D*</i> (天龍八部3D)	MMORPG	Mobile	Licensed	4th quarter 2015	New game interface and new game system
8. <i>Demi-Gods and Semi-Devils (Online)*</i> (天龍八部Online)	MMORPG	Online PC	Licensed	4th quarter 2015	New contents, such as new quests and new events

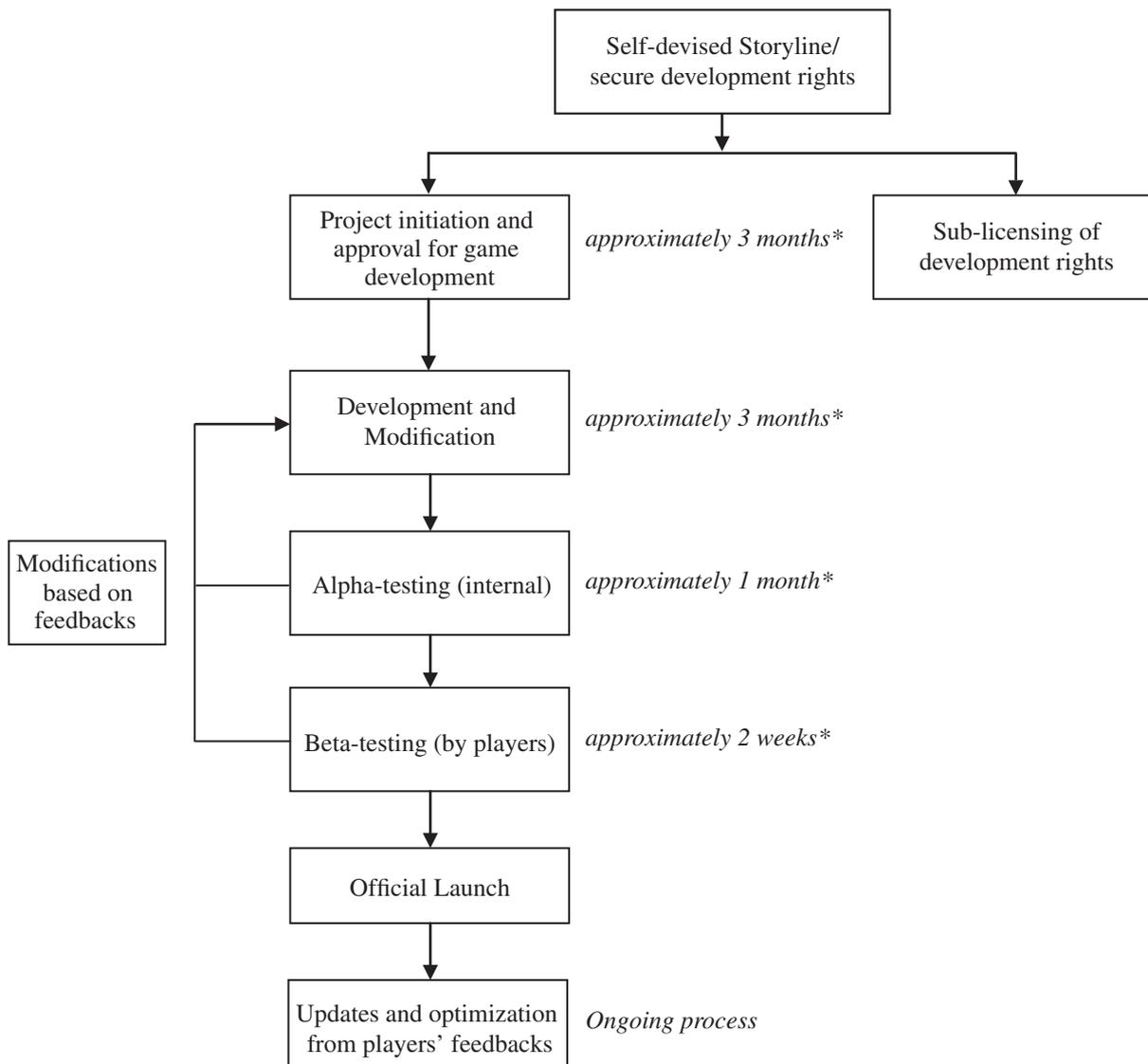
BUSINESS

GAME DEVELOPMENT AND SUB-LICENSING OF DEVELOPMENT RIGHTS

During the Track Record Period and up to the Latest Practicable Date, we have self/co-developed and launched six mobile games and one online PC games, of which only one mobile game is co-developed.

Game Development Process

The following diagram illustrates the critical path in developing a game.



**Note:* The time needed for developing each game may vary. Actual time needed depends on (i) complexity of the game and (ii) availability of manpower and other resources.

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Self-devised storyline/secure development rights

We would either devise storyline internally within our team or externally adopt themes and storylines from popular literature, comics or animation. Internally-created themes and storyline derives from the talents and ideas of our game programming and development team in technical department. For external sources, usually in the form of popular literature such as novels, comics, etc., our selection criteria will be based on (i) the popularity of such titles amongst our targeted customers (ii) feasibility and potential in adopting the title into a game and (iii) exclusivity of the resultant game in our target market.

During the Track Record Period and up to the Latest Practicable Date, we have secured rights to develop seven popular literature titles into games to be published within specific territories in accordance with the terms of the agreement. Some of the rights granted cover territories beyond Hong Kong and Taiwan, where we primarily operate and publish our games.

Generally, under the agreement, fixed license fee and/or variable royalty expenses will be paid by us to the grantor for the developing rights. The fixed license fee, which generally non-refundable, will be paid by us upon signing of the agreement. After the game is commercially launched, variable royalty expenses will be calculated based on the net monthly cashed received by us for operating the resultant game. This generally ranged from 3% to 5% and will be paid by us to the grantor on a regular, usually on a monthly basis.

The following table sets out the developing rights and their status during the Track Record Period and up to the Latest Practicable Date:

Name and type	Exclusive/non-exclusive	Resulting game	Status
<i>The Ravages of Time</i> * (火鳳燎原) — comic	Non-exclusive	<i>The Ravages of Time</i> (mobile version)* (火鳳燎原手機版)	Published in May 2013, operating right will expire in May 2016
		<i>The Ravages of Time</i> (Online)* (火鳳燎原(Online))	Published in May 2013, phased out in May 2014
		<i>The Ravages of Time</i> — <i>Battle</i> * (火鳳燎原大戰)	Published in May 2014, operating right will expire in May 2017
<i>Sea Tiger</i> * (海虎) — comic	Non-exclusive	<i>Sea Tiger</i> * (海虎一百萬匹)	Published in June 2015, operating right will expire in June 2017

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Name and type	Exclusive/non-exclusive	Resulting game	Status
<i>The Ice Fantasy*</i> (幻城) — novel	Non-exclusive	—	Game development right sub-licensed to third-party game developers. Resultant game under development and expected to launch in the first quarter of 2017 Development and operating right will expire in September 2018
<i>The Storm Riders*</i> (風雲) — comic	Non-exclusive	<i>The Storm Riders*</i> (風雲)	Development right sub-licensed to third-party game developers. Resultant game launched in March 2014, operating right will expire in March 2017
<i>Comic A</i> — comic	Non-exclusive	<i>Game A</i>	Launched in November 2005, operating right will expire in August 2020
		<i>Game B</i>	Launched in January 2013, operating right will expire in August 2020
		<i>Game C</i>	Launched in January 2015, operating right will expire in August 2020
<i>Chronicles of the God's Order*</i> (封神紀) — comic	Exclusive	<i>Chronicles of the God's Order*</i> (封神紀)	Development right sub-licensed to third-party game developers. Resultant game under development and expected to launch in the third quarter of 2016 Operating right will expire three years from official launch

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Name and type	Exclusive/non-exclusive	Resulting game	Status
<i>Kowloon Walled City*</i> (九龍城寨) — novel	Non-exclusive	—	Identifying suitable third-party game developer to develop the game. Development and operating right will expire in May 2025

Generally, after the developing rights have been secured, our management may decide either to (i) self/co-develop the game; or (ii) sub-license the development rights to third-party game developers.

If our management decides that the title secured is more suited for developing games of greater complexity, such as MMORPG, which may exceed the resources and manpower available to us at the time, then our Directors may decide to sub-license the developing rights to other game developers. During the Track Record Period and up to the Latest Practicable Date, a total of three developing rights secured have been sub-licensed to third-party game developers.

Sub-licensing of development rights

Under the sub-licensing arrangement, we would provide the developing rights to other game developer(s) to create the games. Depending on the terms of the sub-licensing arrangement, we will receive a fixed non-refundable license fee and/or variable royalty income for the developing rights. The fixed non-refundable license fee will be paid by our sub-licensee upon signing of the sub-licensing agreement. After the game is published by the sub-licensee, a variable fee calculated based on a pre-determined percentage will be paid by the sub-licensee to us. For the period ended 31 December 2013 and 2014 and the six months ended 30 June 2015, revenue generated from sub-licensing of development rights account for approximately NIL, 0.5% and 0.7% of our total revenue for the respective periods.

Unlike co-develop arrangements where ownership of the resultant game rests fully or partially with the Company, under the sub-licensing arrangement we will not have any ownership of the resultant game. Prior written consent from the grantor of the literature titles will be obtained in compliance with the respective agreements. In addition, as part of the sub-licensing arrangement, we may be granted the right to operate the resultant game in Hong Kong and/or Taiwan by the sub-licensee. Should this be the case, we will pay the sub-licensee (as licensor) royalties for operating the resultant game in Hong Kong and/or Taiwan.

Furthermore, where co-developers will each bear their respective development costs and any relevant fees paid to third party specialists, our sub-licensee shall bear all costs related to the development of the game. Profits and/or loss incurred from operating the subsequent game will be borne by the respective operator, while under co-develop arrangements the profit and/or loss will be shared depending on the co-develop agreement entered into.

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Self/co-development of games

(i) *Project initiation and approval for game development*

If it is decided to self/co-develop the game, preliminary works and studies will be conducted by our game programming and development team in technical department in order to come up with a game proposal for management's approval. This will include deciding the genre of the game, such as RPG or MMORPG. A preliminary budget will also be prepared.

Our management will take into account the following key factors: (i) the market potential of the proposed game (ii) the market performance of games with similar genre and (iii) estimated technical and financial resources necessary for operating and developing the game. If the proposal is approved, a project team from technical department dedicated to develop this game will be formed and a project manager assigned. The project manager will be responsible for the overall management of both manpower and financial resources to deliver the game in accordance with a working schedule, which depends on the genre and complexity of the game.

(ii) *Development and modification*

To begin with the actual game design, a blue-print for the game will be drawn up in order to identify the critical path for the project.

Our project team in technical department is responsible for creating individual character, backdrop and sound bite. The project team may further adopt film production methods and techniques, such as adding background music, theme songs, special-view angles and special effects to our game so as to maximize the gaming experience for our players. We engage external service providers for the soundtracks, motion pictures and part of the artwork associated with the game. We may sometimes engage external third party services providers for special-themed artworks of a game.

As at the Latest Practicable Date, we have 14 staff in technical department responsible for game programming and development. They were divided into four development teams to handle technical aspects such as programming the source code, as well as design aspects such as artworks and storyline-editing of each game. According to HKAS 38, research and development costs should comprise all expenditure that is directly attributable to research or development activities. As our development teams handle not only research and development aspects, they are also responsible for the information technology matters, such as server maintenance, the cost of research and development was included in the relevant expenses items. For the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015, approximately HK\$4.1 million, HK\$4.0 million and HK\$2.0 million were incurred on development team respectively, which mainly includes the depreciation of approximately \$148,000, \$92,000, and \$29,000 and salaries of approximately \$3.8 million, \$3.8 million, and \$2.0 million for respective periods.

During the development process, our project team will test-play the game to look for errors, bugs, lagging, faulty designs and etc. This is a continuous process until the project manager is satisfied with the performance and the overall playability of the alpha version.

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(iii) *Alpha-testing (internal)*

When the alpha version of the game is completed, it will be released for testing by our management as well as our marketing and promotion team in operation department. Feedbacks will be provided to the project team, which may include technical issues identified, as well as other marketing considerations in terms of game designs, such as the difficulty levels of each stage, the colours or lighting of backdrop, design of characters and special abilities etc. The alpha version will be modified and the testing will be repeated until our management is satisfied with the overall performance of such alpha version. The resultant game will be released to players for beta-testing.

(iv) *Beta-testing (by players)*

Beta-testing provides us an opportunity to receive feedbacks from players that are interested in the game, so that we can reflect upon their advice and fine-tune the game to meet players' expectations. Usually a trial version with limited functions will be available for free download through our game distribution platforms. Beta-testing can generally be divided into two stages — (i) closed beta-testing and (ii) open beta-testing. For closed beta-testing, only limited players will be involved, while in open beta-testing, it will open to all players. Marketing and promotion activities for the game generally commence before open beta-testing and will openly invite the public to test this game. The number of players engaged in open beta-testing may vary and this would give us a preliminary idea of market receptiveness of the game, so that we can adjust our promotion strategy. Closed beta-testing will usually last for a period of one to two weeks.

(v) *Official Launch*

The final version of the game can be downloaded through our game distribution platforms and/or other third-party game distribution platforms for free.

(vi) *Updates and optimization from players' feedbacks*

The project team will continue to monitor the performance of the game and provide updates continuously in order to maintain stickiness of players and extend the life cycle of the games. Upgrades to a game will depend on the market receptiveness towards the game.

Pricing of in-game currency/in-game virtual items of our self/co-developed games

Our self/co-developed games generate revenue through the sale of in-game virtual items. For our self-developed/co-developed games, we have the sole discretion in determining the price of in-game virtual items. As most of our revenue from operating self/co-developed games are generated from the sale of in-game virtual items, the pricing strategy of in-game virtual items will affect the amount of revenue generated from each game.

As a general pricing principle the management will consider (i) the estimated game life, (ii) the expected game receptiveness and (iii) pricing of similar types of games available in the market, as

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benchmarks. Prices of in-game virtual items may vary widely. The abovementioned pricing strategy applies to all of our self/co-developed games that are distributed in Hong Kong, and Taiwan. We will adjust the price of in-game virtual items based on consumption patterns and other factors such as providing certain discounts for promotion.

Licensing self/co-developed games to third-party game operators to publish in other regions

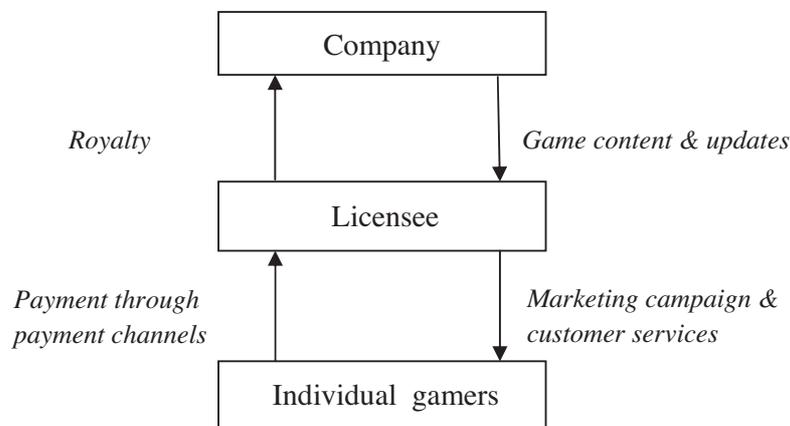
We grant license of our self/co-developed games to third party game operators to publish, operate and promote under licensing agreements which usually have a term of not more than two years from commercial launch of the game in the specified geographical region and may be renewed by mutual agreement. We generally grants at a non-exclusive basis in the specified geographical region other than Hong Kong and Taiwan, such as the PRC. We and our game co-developer, where applicable, provide our licensees with updates, enhancements and modifications to the games licensed by us from time to time at no additional costs. We require our licensees to maintain their own server equipment for operation of the licensed games, as well as ensuring that all licenses, registrations and approvals for the game in the relevant local jurisdiction are obtained or that the game does not violate any laws or regulations of the relevant local jurisdiction. We, as licensor, retain the right to decide the price of in-game virtual items.

We may charge our licensees an ongoing variable royalty and/or fixed license fee. Royalty represents a percentage from approximately 16.0% to 28.0% of their net monthly cash received from the sale of platform credits or in-game currency within our games to the player. This is determined based on prevailing market prices and determined through arm's length negotiations.

Our licensees are required to provide us with monthly sales reports of the relevant games before the payment of their royalty. Our licensees are responsible for the marketing and promotion.

Pursuant to the licensing agreements, the licensee is responsible for collecting payments made by players using their distribution platform and through the payment channels retained by the licensee. Regardless of players' payment methods, our licensee will be responsible for paying us the royalty. These are usually settled in a monthly basis.

The following diagram illustrates our relationship with our licensees



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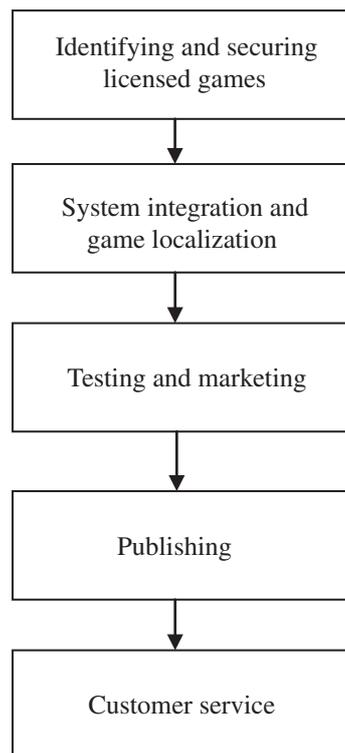
To ensure that the revenue reported by our licensees are accurate, we check the royalty report provided by our licensees. The satisfactorily-reviewed royalty report forms the basis of royalty income, which represents a percentage of sales generated by the licensed games and game-related merchandise. Our licensing agreements set forth the agreed conversion rate for the conversion of in-game currency and/or platform credits and monetary value. As a result, we can calculate and receive an agreed upon portion of the revenue of our licensee that we recognize as revenue accordingly.

During the Track Record Period, one mobile game and two online PC games were licensed to third-party game operators to publish in other jurisdiction.

GAME OPERATION

In addition to self/co-developed games, we also operate third party licensed, online PC games, mobile games and web games. We will market, advertise and publish these licensed games through our game distribution platforms as well as other third-party distribution platforms. As at the Latest Practicable Date, we operated 12 licensed games.

The following table illustrates the major steps involved before launching a licensed game:



(i) *Identifying and securing licensed games*

We will consider the following factors when assessing the commercial value of sourcing the said game: (i) local ranking of the game (ii) game genre and (iii) target players (gender and age group). We will also assess the monetization capability of such games in their local market in order to determine whether to source the said game.

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Our technical department would then conduct reviews and tests of the game identified and formulate a preliminary game operating plan for management approval. Once the preliminary game operating plan is approved, we begin commercial negotiations with the game licensor (i.e. developer or operator of such game) and enter into formal licensing agreements, the renewal and the terms of which are mutually agreed.

The cost of licensing games from the game licensor generally consists of an upfront license fee, which we generally pay by instalments, and ongoing royalty expenses, which represents a percentage of net monthly cash received from operating the respective licensed game. Prices of in-game virtual items are set by the game licensor and governed under the respective license agreement. Generally, our game licensors provide us with the right to operate the games in Hong Kong, and/or Taiwan. We are typically responsible for the localization and translation of licensed games into Traditional Chinese.

(ii) *System integration and game localization*

Once the licensed game is secured, our technical department will conduct systems integration process. We provide and maintain servers for our licensed games. We will also identify and acquire the relevant hardware and software based on the server specifications provided by our licensors if necessary. After completion of system set-up, the licensor may provide technical and training materials of the games to us.

Games licensed offshore may need to be localized before launch, which usually involve translation of other languages into Traditional Chinese. We also identify game elements that may not be suitable to our market and request our licensors to make relevant modifications. In addition to content adaptation and localization of overseas games, technological modifications for our hardware and network equipment may also be performed.

(iii) *Testing and marketing*

Upon completion of localization, we conduct closed beta-testing and open beta-testing of the new game. We usually carry out marketing activities during closed beta-testing stage. We are generally responsible for all aspects of publishing and marketing of the licensed games, although we may be required to obtain the licensor's prior approval in our marketing proposal and use of the game's intellectual properties for such purposes.

We then release a beta-testing version of the game with limited functions (e.g. without selling of in-game virtual items) on our game distribution platforms and other third-party distribution platforms for open beta-testing before we officially launch the game to the public.

(iv) *Publishing*

The official version of the game will be available through our game distribution platforms, third-party distribution platforms, as well as the website of specific games for players to download for free. In order to avoid competition with (i) games already launched and (ii) between newly launched games, we seek to avoid launching (i) games of the same genre (e.g. MMORPG) and (ii) games based on the same popular literature titles that is launched within the past few months.

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(v) *Customer service*

After the game is officially launched, as the local operator for the game we will be responsible for provision of customer services. We may seek assistance from licensors for technical and other support. Most licensors agree to provide us, without any additional charges, with updates, enhancements and improvements to the games licensed to us from time to time prior to the expiry of the licensing arrangement.

As at the Latest Practicable Date, we operated eight licensed mobile games, three licensed online PC games and one licensed web game. Approximately 70.6%, 65.3% and 78.3% of our revenue in the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, was generated from operating licensed games.

Pricing of in-game currency/in-game virtual items of licensed games

As these are licensed games, the price-determination power for (i) the in-game currency and (ii) in-game virtual items, rests in the hands of the third-party game developer/operator. We can only provide suggestions to the licensor in their price determination.

GAME PUBLISHING

As at the Latest Practicable Date, we provided game distribution and/or payment collection services for four mobile games, and eight online PC games. Under the relevant arrangements, we are not required to operate such games. Games published in Hong Kong will make use of our payment channels and third-party payment channels where those distributed in Taiwan will use third-party payment channels only. These publishing rights are generally granted to us on an exclusive basis in the specified geographical areas. The game owner will be responsible for the update and maintenance of the game and server equipment, whilst we are responsible for promoting and publishing the game.

Pricing of our service fees

Our service fees are determined through arm's length negotiations and may differ on a case by case basis depending on (i) scope of our service (ii) prevailing market prices and (iii) availability of our resources in provision of such services.

We charge the service fee based on a pre-agreed percentage of net cash received from the games ranging from 15% to 60%. Currently, save for our substantial shareholder and holding company of our Pre-IPO Investor Suzhou Snail Digital Technology Company Limited* (蘇州蝸牛數字科技股份有限公司), all of our customers that made use of our game publishing and/or payment collection services are independent third parties. We have established stable relationships with such customers and have not encountered any dispute with any of them in the past.

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For each of the two years ended 31 December 2013 and 2014 and the six-months periods ended 30 June 2015, revenue derived from the provision of game distribution and/or payment collection services accounted for approximately 3.5%, 3.3%, and 0.9% of our total revenue, respectively.

Sourcing

The sourcing criteria are similar to that of a game operator. Our primary consideration as a service provider will be focus on the business reputation and scale of the potential customers and the monetizing ability of the games to be published.

MARKETING AND PROMOTION

In Hong Kong, we usually commence marketing and promotion of our games before the open beta-testing stage. Depending on the market response and management's assessment on the market receptiveness of each game, we may adopt a combination of marketing strategies. We will utilize our existing marketing channels such as our game distribution platforms and promoting through our pages in online social platforms. We may also engage celebrities as spokesperson for the game. Other conventional marketing techniques will also be employed. For example in promoting *The Ravages of Time (mobile version)** (火鳳燎原手機版), we have placed a full-side advertisement. In addition, we will participate in local game player events such as the Ani-Com & Games Hong Kong to promote our games.

The amount of marketing and promotion expenses we incurred for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were approximately HK\$7.7 million, HK\$9.5 million and HK\$8.5 million, respectively.

During the Track Record Period, we operated a mobile game information website, namely gameapps.hk, being part of our marketing and promotion platform and to provide news and updates information on the latest mobile phone and mobile game development. The website is free of charge. Due to moderate reception and increasing operating costs, we ceased and transferred the webpage to an independent third-party on 1 September 2015 for a consideration of HK\$1.00.

We also make use of our customer services page in our game distribution platforms as well as online social platforms to facilitate interaction with and receive feedbacks from players in order to continuously improve and create more appealing games, thereby solidifying our core player base for each game. Through peer influence players will invite their friends to play our games, thus creating a constructive cycle.

In Taiwan, the marketing strategy is slightly different. Our marketing efforts will be less intensive in the beginning and will extend for a longer period of time after a game is launched. In terms of marketing methods, we will make use of television commercials, posters and the use of online social platform and video-sharing websites.

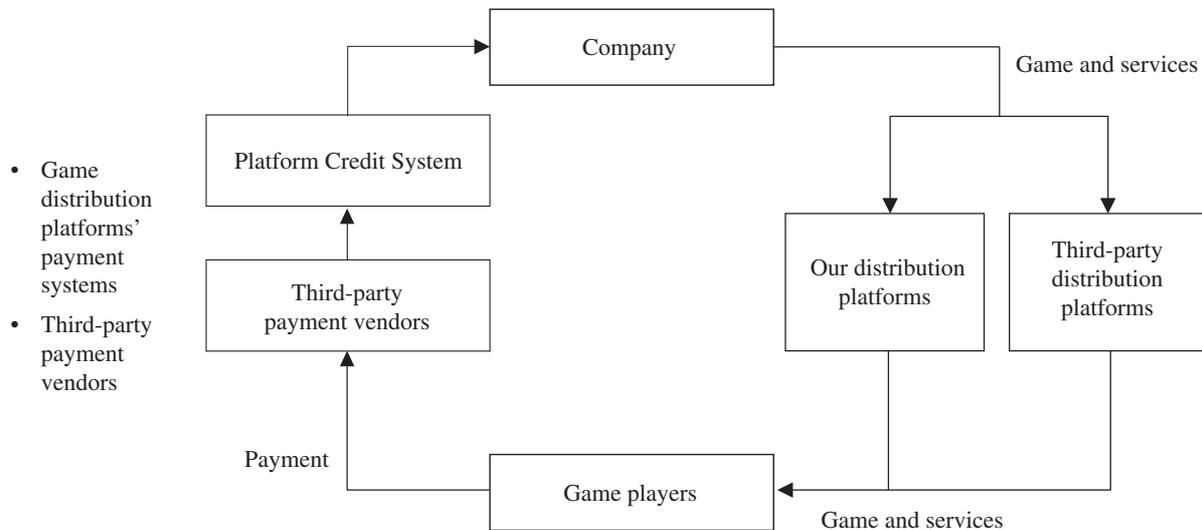
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For our self/co-developed games, we sometimes offer special discounts for in-game virtual items as part of our promotion strategy. We offer discounts, in terms of in-game currency for our self/co-developed games during the Track Record Period. For our licensed games, the price for in-game virtual items are set forth by the game licensor, which we have no control. Should we wish to offer discounts as part of our promotion or to incentivize game players, we will need to gain the prior approval of our game licensor, and bear the resulting costs or discounts offered for the promotion, unless agreed otherwise.

GAME DISTRIBUTION AND PAYMENT COLLECTION CHANNELS

We publish our self/co-developed games and licensed games through (i) our distribution platforms, including each of our games' official websites and our websites, e.g. www.gameone.com; and (ii) third-party distribution platforms e.g. Apple Store and Google Play. For games for publishing, we sole rely on our distribution platforms to publish and distribute these third-party operated games to game players.

The following diagram illustrates the process of how we publish and distribute our games through various distribution platforms to game players and how we collect proceeds from paying players through the various third party payment vendors:



Our distribution platforms

Our games, which includes self/co-developed games, licensed games and games for publishing, can be accessed through our game distribution platforms. Players can register with our websites, such as www.gameone.com. Players can login to their accounts to perform various transactions such as browsing and accessing our games, recharging the credits of respective platform for conversion of in-game virtual items, contacts our customer service as well as changing their personal information.

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Players can use the payment options offered by us at our corporate websites, which include payments by online wire transfer through third-party payment vendors, such as PayPal and by credit card, to make payments for the in-game virtual items.

For each of our games, we create an official website that provides details game information as well as links that allows players to enter the game or download the games.

Third-Party distribution platforms

We mainly rely on third-party distribution platforms to publish our mobile games. We cooperate with major online App stores in order to reach out to various mobile devices. As most of the mobile games published are compatible to both iOS and Android systems we have entered into agreement with Apple Inc. and Google Inc. to publish the mobile games through their App store and Google Play platforms.

Payment Collection Channels

During the Track Record Period we have utilized two major channels in collecting proceeds from players. The following table sets out a breakdown of our revenue attributable to proceeds from sales of in-game virtual items collected through each type of payment collection channel, the absolute amount and percentage of total revenue generated, during the Track Record Period:

	For the year ended 31 December		For the six months ended			
	2013	2014	30 June 2015			
	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	(HK\$'000)	
	%	%	%	%	%	
	of Revenue	of Revenue	of Revenue	of Revenue	of Revenue	
<i>Third-party distribution platforms</i>	13,143	20.3	33,859	45.4	37,637	55.3
<i>Third-party payment vendors</i>	51,501	79.7	40,730	54.6	30,465	44.7
Total revenue from sale of in-game virtual items	<u>64,644</u>	<u>100.0</u>	<u>74,589</u>	<u>100.0</u>	<u>68,102</u>	<u>100.0</u>

Payment through third-party distribution platforms

All of the third party distribution platforms such as Apple Store and Google Play, have their own payment collection channels and would usually have their separate virtual credit system. Players playing our games through these distribution platforms can purchase virtual credits issued by these platforms and convert the same into in-game currency or directly into in-game virtual items, depending on the game design.

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To ensure the accuracy and completeness of information relating to our income from licensed games and games for publishing, we have employed the following measures to track and verify the transaction records:

- licensors have built-in mechanism in the game programming that would allow them to monitor the game server operated by us;
- upon a game player exchanging credits from our platforms into in-game currency or in-game virtual items, the game's server automatically catalogues the transaction details to the monitoring system and the computer system of our licensors, respectively; and
- we provide our licensor with statements regarding our monthly net proceeds/sales for each respective game at the end of a monthly period in accordance with the terms of the relevant agreements. Upon comparing the statement with our internal records, we can then ascertain the amount of royalty fees payable to the licensors and recognize the same as our royalty expenses.

Should there be any discrepancy between the records, it will be resolved in accordance with the terms of the licensing or game publishing agreements. During the Track Record Period, we did not experience any material discrepancy or disagreement regarding such amounts with our licensed operators.

Payment through third-party payment vendors

To acquire credits of our game distribution platforms, players can purchase pre-paid game cards/vouchers from third-party payment vendors. Pre-paid game cards are printed cards that contains a serial number and a set of password that represent a number of credits of our game distribution platform. A game voucher is a printed slip generated on-site and contains a set of password that we pre-supplied to the third-party payment vendor.

In addition, credits of our game distribution platforms can be purchased through some of our game distribution platforms. Payments can be made through third-party payment channels such as PayPal and credit cards companies.

We select third-party payment vendors, which includes convenience stores, to sell our pre-paid game card/vouchers. There is no expiration date for the credits of our game distribution platforms. We record the amount that we receive from third-party payment vendors for selling of pre-paid game card/vouchers, and will only be recognized as our revenue when the credit is ultimately used by the player to purchase in-game virtual items in self/co-developed games and licensed games, and in-game virtual currency in game for publishing.

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Our contract with third-party payment vendors generally has a term of at least one year and renewal of such agreement is subject to renegotiation between us and the third-party payment vendor. Certain material terms of our agreement are highlighted as follows:

- the third-party payment vendor is responsible for handling our game players' payments made through their system and providing customer services and technical support associated in order to ensure completion of the payment process;
- an amount equivalent to not more than 30% of the total payments collected through the third-party payment vendor will be charged as commission. Such commission rate is determined through arm's length negotiation between the third-party payment vendor and us; and
- the payment collection method employed by the third-party payment vendor is real time. After deducting their commission, the net amount will be paid into our account.

Once the pre-paid game card/vouchers were used, such amount will be converted into credits of our distribution platforms. For self/co-developed and licensed games that we operate, these credits will be recognised as our revenue when they are used to purchase in-game virtual items. As for our game publishing services, revenue will be recognised when these credits convert into in-game currency.

For our operations in Taiwan, we have entered into agreement with a local game operator to make use of their payment channels which covers physical distribution of their pre-paid game cards at local convenient stores, book stores, cyber cafes, computer chain stores, as well as local mobile carrier (charged as part of the monthly mobile service fees), electronic and credit card payment systems, etc.. Their fees will be charged at a percentage of the sales of the in-game currency of our games operated in Taiwan. Generally this will be calculated based on the sales amount recorded, but for the payments made through mobile carriers, the local operator agreed to charge their fees based on the actual monetary amount received by the mobile carriers.

DISCONTINUED BUSINESS

(i) Publishing of comics

We cooperated with certain comic artists and published one comic title series during the Track Record Period. These comic series were completed in February 2014 and we have not published other comic series since. We incurred loss of approximately HK\$83,000 for the comic series in 2014. Due to continue losses and given that it was not the focus of our business development, our management decided to discontinue the business.

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(ii) Disposal of ongameshow.com

During the Track Record Period, ongameshow.com was engaged in the publishing of the printed versions of the game magazine PC Game Weekly and comics. To streamline our business and concentrate our game development, operation and publishing business, ongameshow.com was transferred to Mr. Sze for a consideration of HK\$1.00. Subsequent to the disposal, ongameshow.com will no longer form part of our Group.

For details of the disposal, please refer to the section headed “History, Reorganization and Structure of our Group” in this prospectus.

(iii) Joint Ventures in Malaysia

Our subsidiary, Gameone Group (HK), set up a jointly controlled company, namely Chineseego Sdn Bhd, in 2010 in Malaysia with CiB Net Station Sdn Bhd under a joint venture agreement to operate the business of developing operating and publishing MMORPGs in Malaysia. On 28 March 2011, we further set up another joint venture company, namely CiB Gameone Limited, through our subsidiary Gameone Group (HK) with CiB Development Sdn Bhd for the purpose of holding our game licenses in Malaysia. The joint venture agreements with each of CiB Development Sdn Bhd and CiB Net Station Sdn Bhd were separately terminated by an agreement dated 1 October 2013. Pursuant to the termination agreements, Gameone Group (HK) agreed to transfer (i) its 49% shareholding in Chineseego Sdn Bhd to CiB Net Station SDN BHD for a consideration of RM1.00 Malaysian ringgit and (ii) its 50% shareholding in CiB Gameone Limited to an independent third party, for a consideration of US\$1.00. The share transfers were subsequently completed on 1 November 2013.

All debts due from CiB Gameone Limited to Gameone Group (HK), which amounts to approximately HK\$2.0 million, were subsequently waived.

For details of the disposal of the joint ventures in Malaysia, please refer to the section headed “History, Reorganization and Structure of our Group” in this prospectus.

(iv) Deregistration of Gameone (Shenzhen)

For details of the deregistration of Gameone (Shenzhen), please refer to the section headed “History, Reorganization and Structure of our Group”.

OUR CUSTOMERS

We consider game players who have purchased in-game virtual items in our self/co-developed and licensed games to be our direct customers. For the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, no single paying player contributed more than 1% of our revenue for the relevant period, and that the top 5 paying players contributed less than 5% of our revenue during each period.

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As we license our games to third-party game operators to publish in other geographic regions and receive license fees and royalties in return, they will also be considered our customers. Likewise, we also provided payment collection and/or publishing services to other game developers/operators and received royalties as service fees in return and therefore, such game operators will also be considered our customers. Together they contributed approximately 3.7%, 3.4% and 2.8% of our revenue for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015 respectively. The largest customer accounted for approximately 1.7%, 1.2% and 0.6% of our revenue for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015 respectively.

The aggregate revenue contributed by our top five customers for the two years ended 31 December 2013 and 2014 and for the six months ended 30 June 2015 was approximately HK\$2.5 million, HK\$2.7 million and HK\$2.0 million, respectively, accounting for approximately 3.7%, 3.4% and 2.8% of our total revenue in respective periods. The top five customers for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, contributed in aggregate less than 30% of our revenue during each period.

NYIL and Nineyou Information Technology (Shanghai) Co. Ltd are members of the same group. For illustrative purpose, if the two were deemed to be the same customer (collectively, the “**Deemed Customer**”), as if the subsisting contracts were entered into by the Deemed Customer with us, then our Deemed Customer would account for approximately 3.9%, 3.9% and 2.8% of our revenue for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respectively. Taking into account of the revenue contributed by our Deemed customer, the aggregate revenue contributed by our top five customers for the two years ended 31 December 2013 and 2014 and for the six months ended 30 June 2015 was approximately HK\$2.7 million, HK\$3.1 million and HK\$2.0 million, respectively, accounting for approximately 3.9%, 3.9% and 2.8% of our total revenue in respective periods.

As at 30 June 2015, save as disclosed above, none of the Directors, their close associates or any shareholders of the Company (who or which to the best 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.

OUR SUPPLIERS

Our top five suppliers are primarily the third-party game distribution platforms with payment channels, third-party game developers/operators, internet service provider and advertising services provider. They have contributed approximately 42.7%, 46.1% and 70.3% of our total purchase for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, respectively. The largest supplier accounted for approximately 15.8%, 12.9% and 28.1% of our total purchase for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, respectively.

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The following table sets forth details and background information of our top five suppliers during the year ended 31 December 2013:

Ranking	Supplier	Business activities of supplier	Year of commencement of business relationship	The purchase for the year ended 31 December 2013 (HK\$'000)	% of total purchase for the year ended 31 December 2013
1.	Supplier A	Game developer	More than 8 year	7,129	15.8
2.	Supplier B	Game developer	More than 6 year	6,093	13.5
3.	Supplier C	Game distribution platform/payment channel	More than 1 year	2,480	5.5
4.	Supplier D	Internet service provider	More than 8 year	2,118	4.7
5.	Supplier E	Game distribution platform/payment channel	More than 1 year	1,450	3.2

The following table sets forth details and background information of our top five suppliers during the year ended 31 December 2014:

Ranking	Supplier	Business activities of supplier	Year of commencement of business relationship	The purchase for the year ended 31 December 2014 (HK\$'000)	% of total purchase for the year ended 31 December 2014
1.	Supplier C	Game distribution platform/payment channel	More than 1 year	6,517	12.9
2.	Supplier A	Game developer	More than 8 year	6,145	12.1
3.	Supplier E	Game distribution platform/payment channel	More than 1 year	4,224	8.4
4.	Supplier B	Game developer (in-direct holding company of Pre-IPO Investor)	More than 6 year	3,695	7.3
5.	Supplier F	Game developer	More than 1 year	2,735	5.4

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The following table sets forth details and background information of our top five suppliers during the six months ended 30 June 2015:

Ranking	Supplier	Business activities of supplier	Year of commencement of business relationship	The purchase for the six months ended 30 June 2015 (HK\$'000)	% of total purchase for the six months ended 30 June 2015
1.	Supplier A	Game developer	More than 8 year	11,803	28.1
2.	Supplier E	Game distribution platform/payment channel	More than 1 year	6,736	16.0
3.	Supplier C	Game distribution platform/payment channel	More than 1 year	6,339	15.1
4.	Supplier G	Advertising platform	More than 4 year	2,409	5.7
5.	Supplier H	Advertising agent	More than 5 year	2,262	5.4

Overlapping of Customer and Supplier

(i) *Supplier H*

Supplier H, being an advertising agent in Hong Kong, is also one of the top five suppliers for the six months ended 30 June 2015. This advertising agent rented certain advertising spaces in the website www.gameapps.hk while we made use of their services to secure advertising spaces in other advertising medium to promote our games during the Track Record Period.

For the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, this advertising agent contributed approximately HK\$9,000, nil and nil in other income for respective periods. Our total advertising expenditure spent on this advertising agent amounted to approximately HK\$0.7 million, HK\$0.9 million and HK\$2.3 million representing approximately 1.6%, 1.8% and 5.4% of our total purchases for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015.

Supplier H is wholly-owned and controlled by the brother of Mr. Sze. Our Directors confirm that all business with Supplier H will cease after the Listing.

(ii) *NYIL*

Our first and second largest customer and our second largest customer for the two years ended 31 December 2013 and 2014 respectively is also our supplier for the same period. As a supplier it accounts for less than 1% of our total purchase for the respective periods. It is a game developer and operator in the PRC. In addition, this game company and our substantial shareholder, NYIL, belongs

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to the same group companies and is therefore a connected person of our Company. During the Track Record Period this game company granted us license to operate one game in Hong Kong and Taiwan and is therefore our game supplier. During the same period it made use of our game publishing and payment channel services in Hong Kong and therefore, our customer.

For the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, this game company contributed approximately HK\$1.9 million, HK\$0.9 million and HK\$0.2 million of our revenue, or approximately 2.8%, 1.1% and 0.3% of our total revenue for the respective periods. The total amount of royalty expenses and license fees payable to this game supplier amounted to approximately HK\$669,000, HK\$1,000 and Nil representing approximately 1.5%, 0.0% and Nil of our total purchases for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, respectively.

As each of the transactions referred to above are between us and a connected person of our Company, it constitutes a connected transaction.

As at 30 June 2015, save for our substantial shareholder NYIL, none of the Directors, their close associates or any shareholders of the Company (who or which to the best knowledge of the Directors owned more than 5% of the Company's issued share capital) had any interest in any of our five largest suppliers.

OUR INFRASTRUCTURE

As at the Latest Practicable Date, we own a total of 227 servers hosted in data centres located in Hong Kong and Taiwan to ensure a stable and functional network infrastructure. We further make use of cloud servers in Hong Kong. We believe that our current network facilities provide us with sufficient capacity to carry our current operations and are able to be expanded to meet additional capacity relatively quickly and with minimum incremental cost. To ensure the quality and safety of our network infrastructure, we usually purchase servers from qualified and reliable suppliers. We may also test the servers before making a procurement decision. We evaluate our suppliers on a regular basis based on the performance of their servers.

We continuously monitor the operation of our servers and networks to track real-time the activities of our game servers. This will allow us to discover both hardware and software problems that may be fixed in a timely manner. Only authorized personnel can enter our server rooms and data centres. Security protocol are in place to ensure that only authorized persons have access physically to the server room and electronically to the game software. All our servers are linked to our data backup system, which will periodically back up the game data. As at the Latest Practicable Date, there are five, two and two employees of our technical department responsible for maintenance of the infrastructure in Hong Kong, the PRC and Taiwan respectively to ensure the stability of our operations and monitor and fix any problems occurred so as to minimize interruption of servers.

The stability and safety of our network infrastructure is critical to our reputation and online game operations. During the Track Record Period, we have not experienced any hacking attacks or unauthorized access to player accounts, according to our records. Our network-based caches provide

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protection for our database by limiting direct data access requests, which effectively prevent hackings and other security breaches. Once a hacking attack is detected, our technical team will immediately coordinate with the local supporting staff of the relevant server provider to diagnose and solve the technical problems.

We have not experienced any material interruption to our infrastructure or loss or corruption of data during the Track Record Period. Lastly, our customer service staff will assist our players to investigate any claims relating to account theft or unauthorized access.

COMPETITION AND COMPETITIVE LANDSCAPE

Competition in the game industry is intense in Hong Kong and Taiwan. We compete with other game developers, operators and publishers of online PC games and mobile games in Hong Kong and Taiwan. We may also face competition from emerging mobile game developers, operators and publishers, as well as some traditional online PC game companies that are entering the mobile game market. Some of our existing and potential competitors have significantly greater financial, technological and marketing resources, larger player base, stronger relationship with industry participants (such as game developers), a larger and more diverse game portfolio, and stronger mobile game development experience and resources than us. We further compete with other entertainment or leisure time activities for player's time and attention.

While we compete with a wide spectrum of existing and potential competitors, we compete primarily on our abilities to self/co-develop and/or license games that are attractive to paying players and fulfil the demands and expectation of game players. This would in turn depend on our advertising efforts, the stability of our game operation systems, and in particular, whether we can secure development rights or licensed games that are based on popular literatures, comics and animations. Benefiting from over ten years of experience accumulated in game development, operation and publishing in the Hong Kong market, as well as possessing a number of development rights to popular literatures, comics and animations, our Directors believe that we can differentiate with our competitors in the future.

INTELLECTUAL PROPERTIES

We have obtained key intellectual property and proprietary rights in connection with the operation of our business. Our Group has registered 25 trademarks, 1 software copyright and 6 domain names, which are material to our business. We have also filed application for registration of 7 trademarks which are material to our business.

Details of our intellectual property rights, which, in the opinion of our Directors, are material to our business and operations, are set out under the section headed "Appendix IV — Statutory and General Information — Further information about our business" in this prospectus. Our Directors are of the opinion that our Group has applied for registration or owns all the copyrights, trademarks and domain names that are essential and material to our operation.

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EMPLOYEES

As at the Latest Practicable Date, we have a total of 87 employees of which 59 employees in our Hong Kong office, 13 employees in our Shenzhen Office, the PRC and 15 employees in our Taipei office in Taiwan. The following table sets forth the number of our employees by department and function:

Department	Function	Hong Kong	PRC	Taiwan
Management	General management	9	4	1
Accounting	Accounting and finance	2	1	1
Operations	— game operations and customer services	21	2	9
	— marketing and promotion	7	0	2
		28	2	11
Technical	Game programming and development	10	4	0
	Maintenance of hardware and software	5	1	2
		15	5	2
Administration	General administrative matters	5	1	0
	Total:	<u>59</u>	<u>13</u>	<u>15</u>

We generally recruit talented employees based on education background and relevant working experiences. We provide training to new hires and they will be assigned to relevant team member as part of their mentorship program and on-the-job training.

For our employees in Hong Kong we operate a defined contribution mandatory provident fund retirement benefits scheme (the “**MPF Scheme**”) under the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong) for all of its employees in Hong Kong who are eligible to participate in the MPF Scheme. Contributions are made in accordance with the Mandatory Provident Fund Schemes Ordinance and are charged to the income statement as they become payable in accordance with the rules of the MPF Scheme. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme.

For our employees in the PRC, we participated in various employee benefit plans that are organized by municipal and provincial governments, including housing, pension, medical, injury and unemployment benefit plans in compliance with PRC laws and regulations. We maintain social insurance for our employees in the PRC in accordance with the applicable laws of the PRC and requirements from competent local authorities, of which insurance premium is borne by us and the employees under a specific proportion as regulated by the relevant PRC laws.

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For our employees in Taiwan we have participated in and contributed to the pension scheme as required under the Labour Pension Act in Taiwan. We maintain and pay labour insurance premium and national health insurance premium in compliance with the applicable laws in Taiwan.

We enter into standard employment contracts with our employees, where the remuneration package typically includes a basic salary that is of market standards and a discretionary bonus based on their performance. During the Track Record Period, our staff costs incurred for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were approximately HK\$13.5 million, HK\$12.6 million and HK\$6.9 million respectively.

We have maintained a good working relationship with our employees and did not experience any significant labour disputes during the Track Record Period.

Furthermore, we conditionally adopted a Share Option Scheme to incentivize our Directors, senior management, consultants, advisors and employees for their contribution to our Group and to attract and retain talents and suitable personnel to enhance the development of our Group. For detailed terms of the Share Option Scheme please refer to the section headed “Appendix IV - Statutory and General Information — Other information — 14. Share Option Scheme” in this prospectus.

PROPERTIES

We have entered into leases, generally with terms between one to two years, with private entities and individuals in Hong Kong, the PRC and Taiwan. Except one of the property leased as quarters for our Director, Mr. Sze in Hong Kong and one of the property in Hong Kong as warehouse, the other leased properties are used as our offices.

The rent is primarily calculated based on floor area (in square feet) in Hong Kong. As at the Latest Practicable Date, we had three lease agreements for properties located in Hong Kong with a total floor area of approximately 6,530.5 square feet.

As at the Latest Practicable Date, the rent for our two lease properties located in the PRC is calculated based on floor area (in square metres) and constitute a total gross floor of approximately 155 square metres.

As at the Latest Practicable Date, we had one lease agreement for property located in Taiwan, the rent is calculated based on floor area (in square metres) and constitute a total gross floor of approximately 129.14 square meters.

We also have two corporate vehicles which serve general delivery and logistics purposes in Hong Kong.

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INSURANCE

For our operations in Hong Kong, we have taken out insurances to cover our main business operations, such as insurance policies covering damages to our servers and policies for damages to our office, vehicle, and properties. In addition we maintain a staff medical insurance policy.

Consistent with the industry practice in the PRC, we do not maintain any business interruption insurance or insurance covering potential liabilities. Similarly we do not maintain any business interruption insurance or insurance for potential liabilities in Taiwan.

As at the Latest Practicable Date, we had not made nor been subject to any material insurance claims in Hong Kong, Taiwan nor the PRC. Given the above, our Directors are of the view that the insurance coverage is adequate and in-line with industrial norm.

AWARDS AND RECOGNITIONS

We have received numerous awards in recognition of our ingenuity and creativity since our incorporation. The table below sets forth key awards received by us as at the Latest Practicable Date.

Year	Award/Recognition	Awarding Body
2011 to 2014	HKGolden IT Brand Awards 2011/12/13/14 “Best Online Game Provider Award” (香港高登IT品牌賞 - 最佳網絡遊戲供應商)	HKGolden.com (香港高登網站)
2015	HKGolden IT Brand Awards 2015 “Best Mobile Game Provider Award” (香港高登IT品牌賞 — 最佳手機遊戲供應商)	HKGolden.com (香港高登網站)

HKGolden is a third party local information technology website with discussion forums and provide latest news on information technology, leisure, games, toys and audio-visual products.

CUSTOMER SERVICES

We recognise the importance of customer service is a key factor to retain customers and we consider that our customer service is our key brand building tools. We maintain a game operations and customer services teams, consisting of 20 in Hong Kong, seven in Taiwan and two in the PRC as at the Latest Practicable Date, to handle customer relations and address any customer questions and complaints. The establishment of the game operations and customer services team enables management to access to players’ feedbacks and determine customer overall satisfaction.

We receive players’ feedbacks and enquiries through two principal channels: (i) our customer service; and (ii) our discussion forums in the game distribution platforms and other online social platform. Upon receipt of the feedbacks, inquiries and complaints, our officers will investigate the matters and work closely with our technical department to look for solutions to the problems. Players

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are encouraged to provide feedback to help us review the quality of our customer service. Our Directors believe that timely delivery and execution of quality services as expected by our customers can reduce disputes and avoids delays in fulfilment customer requests, which if not addressed efficiently, may have an impact on their payment behaviour and relationship with us. During the Track Record Period we have received a number of complaints from customers both in Hong Kong and Taiwan, some of which were made to the relevant authorities such as the Consumer Council in Hong Kong. The complaints involved (i) technical errors such as unsuccessful game credit top-ups or in-game purchases/gift redemption, which were subsequently resolved after the technical errors had been fixed and (ii) discontinued game operation/publishing arrangements, which we resolved by migrating the complainant's account to other games of their choice operated by us.

The table below sets out the number of complaints made by game players to the relevant consumer protection authorities in Hong Kong and in Taiwan, respectively, during the Track Record Period and up to Latest Practicable Date:

Year/Period	Number of complaints made to the relevant consumer protection authorities	
	Hong Kong	Taiwan
2013	9	2
2014	4	1
2015 (up to Latest Practicable Date)	<u>5</u>	<u>0</u>
Total:	<u><u>18</u></u>	<u><u>3</u></u>

Given these complaints generally concerns our provision of service and involves minimal monetary value, our Directors believe that the impact on our business to be immaterial. As at the Latest Practicable Date, a majority of the complaints were subsequently settled with the complainant.

LICENCES AND PERMITS

Our Directors confirm that as at the Latest Practicable Date, to the best of their knowledge and belief, we have obtained all necessary approvals, permits, licences and certificates that are material to our business operations from the relevant government authorities.

LEGAL PROCEEDINGS

During the Track Record Period and as at the Latest Practicable Date, there were no litigation or arbitration proceedings of material importance pending or threatened against our Group or any of our Directors.

RISK MANAGEMENT AND NON-COMPLIANCE

Non-compliance matter

Set out below is the non-compliance on the laws and regulations in Hong Kong during the Track Record Period.

Non-compliance incident	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
<p><i>Failure to comply with the permitted use as specified in the government lease, occupation permit, deed of mutual covenant and tenancy agreement</i></p> <p>Unit A, 21/F North Point Industrial Building, No. 499 King's Road, North Point, Hong Kong (the "Hong Kong Leased Property") is being used by us as head office and office for development and operation of mobile games, online PC games and web games (the "Actual Use"). The permitted use as specified in each of the relevant (i) government lease; (ii) occupation permit; (iii) deed of mutual covenant; and (iv) tenancy agreement is (a) for the purpose of factory premises; (b) as factory spaces for non-domestic use; (c) for industrial and godown purposes; and (d) for lawful industrial purposes, respectively.</p> <p>Accordingly, the Actual Use does not comply with the permitted use as specified in the relevant government lease, occupation permit, deed of mutual covenant and tenancy agreement.</p>	<p>Due to our designated ex-employee's unintended and inadvertent oversight and mistakes</p>	<p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant government lease is that the government authority is entitled to re-enter the Hong Kong Leased Property and claim for damages.</p> <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant deed of mutual covenant is that the incorporated owners or the manager of the building containing the Hong Kong Leased Property is obliged to enforce the term of the deed of mutual covenant by claiming against Gameone Group (HK) <i>inter alia</i>, for an injunction from the court prohibiting the Actual Use in contravention of the term of the deed of mutual covenant.</p> <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant occupation permit is that Gameone Group (HK) is liable to a maximum fine of HK\$100,000 and the directors of Gameone Group (HK) are liable to a maximum fine of HK\$100,000 and maximum imprisonment of two years for a breach of Section 25(1) of the Building Ordinance (Chapter 123 of the Laws of Hong Kong).</p> <p>The consequence of non-compliance with the permitted use of the Hong Kong Leased Property as stated in the relevant tenancy agreement is that the landlord of the Hong Kong Leased Property is entitled to re-enter the Hong Kong Leased Property and the tenancy agreement shall absolutely be determined.</p> <p>Gameone Group (HK) does not have a contractual right to terminate the tenancy agreement, in the event that Gameone Group (HK) is not allowed to continue with the Actual Use. Gameone Group (HK) will be required to continue to pay a monthly rent of HK\$110,000 during the remaining period of the term until 30 September 2016 (assuming the parties have not exercised the option to renew the tenancy agreement).</p>	<p>During the Track Record Period and up to the Latest Practicable Date, (i) we had not received any notification from the government authority that it would exercise the right to re-enter the Hong Kong Leased Property; (ii) we had not been penalised by any government authority for our failure to comply with Section 25(1) of the Building Ordinance (Chapter 123 of the Laws of Hong Kong); (iii) we had not received any notification from the incorporated owners or the manager of the building containing the Hong Kong Leased Property prohibiting the Actual Use; and (iv) we had not received any notification from the landlord of the Hong Kong Leased Property that it would exercise the right to terminate the tenancy agreement and re-enter the Hong Kong Leased Property.</p> <p>On the basis above and given the relocation cost of approximately HK\$500,000, we plan to continue using the Hong Kong Leased Property for the Actual Use until the expiry of the tenancy agreement on 30 September 2016. Thereafter, we intend to relocate our head office and office for development and operation of mobile games, online PC games and web games to another premises. In the event that we (i) receive notification from any government authority that it will exercise the right to re-enter the Hong Kong Leased Property; (ii) receive notification from the incorporated owners or the manager of the building containing the Hong Kong Leased Property prohibiting the Actual Use; or (iii) receive notification from the landlord of the Hong Kong Leased Property that it will exercise the right to terminate the tenancy agreement and re-enter the Hong Kong Leased Property, we will relocate our office to another premises. In such event, we will seek legal advice from our external Hong Kong legal adviser to ensure compliance with the applicable laws and regulations and relevant documents.</p> <p>Based on the view of a Hong Kong barrister engaged by us, our Directors are of the view that the likelihood of maximum penalty and/or imprisonment being imposed for our failure to comply with Section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) is remote since there is no evidence that the Actual Use has caused any danger to the Hong Kong Leased Property.</p>

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Non-compliance incident	Reason for non-compliance	Legal consequence including potential maximum penalty and other financial liabilities	Remedial actions
		<p>As (i) the likelihood of maximum penalty and/or imprisonment being imposed for our failure to comply with Section 25(1) of the Buildings Ordinance (Chapter 123 of the Laws of Hong Kong) is remote; and (ii) each of PCIL and Mr. Sze has jointly and severally undertaken to indemnify us regarding the direct losses and damages that we may suffer as a result of the breach of the permitted use of the Hong Kong Leased Property, no provision has been made in the financial statements of our Group for the potential penalties and fines for the non-compliance.</p>	<p>Given that (i) the key aspects of our server infrastructure and technology systems for our games are not located in the Hong Kong Leased Property but maintained by third-party service providers; (ii) the relatively insignificant relocation cost; (iii) it is expected that there will be no significant period of business interruption as a result of relocation; (iv) sourcing an available alternate premises in Hong Kong which legally allowed us to engage in the Actual Use is not difficult; (v) each of PCIL and Mr. Sze has jointly and severally undertaken to indemnify us regarding the direct losses and damages that we may suffer as a result of the breach of the permitted use of the Hong Kong Leased Property, our Directors are of the view that the above non-compliance relating to the Hong Kong Leased Property does not and will not have any material financial or operational impact on us.</p>

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Having considered the above, our Directors and the Sole Sponsor are of the view that the non-compliance with the permitted use of the Hong Kong Leased Property will not affect or cast any doubt on the suitability of our Directors under Rules 5.01 and 5.02 of the GEM Listing Rules, or our Company's suitability for listing under Rule 11.06 of the GEM Listing Rules.

Risk Management

We are devoted to establishing risk management and internal control systems consisting of policies and procedures, as well as risk management methods, that we consider to be appropriate for our business operations. We continuously monitor each of these systems' performance and are dedicated to improve them.

Information Risk Management

We adopted a comprehensive system aiming to protect game players' data accumulated. Our technical department is responsible for protecting game players' data from external threats, such as hacking, computer virus or cyber attacks and to maintain the stability of our network infrastructure and information technology system. As at the Latest Practicable Date, we have a total of eight staff from our technical departments in Hong Kong, Taiwan and the PRC dedicated to the maintenance of our information technology infrastructure and stability of our systems.

Internally, to ensure information and data security, access to such information is restricted to certain employee dedicated to operating specific games. Access to certain internal information are restricted and can only be access by dedicated employees of the operations department. We have also adopted internal policies and restricted access rights to ensure that authorization is tailored to employee seniority and department function, so that selected information can only be obtained by different departments on a need-to-know basis.

Legal Compliance and Intellectual Property Rights Risk Management

Our operational risk management seek to ensure (i) compliance with Hong Kong and Taiwan laws and regulations, in particular those regulating the game industry, (ii) protection of our intellectual property rights; and (iii) the prevention of infringement of intellectual properties belonging to others.

Our management in Hong Kong and Taiwan are responsible for monitoring any changes in laws and regulations in the respective jurisdictions to ensure the on-going compliance of our operations with Hong Kong and Taiwan laws. In situations where the relevant laws and regulations are not clear as to what action should or should not be taken, we will take the conservative approach and may seek external legal advice to avoid any potential compliance issues.

When we develop a new game, our management headed by Mr. Sze, our executive Director, who has over ten years of experience in the game industry, would review the idea and the design, artwork, music, animation etc. used in the new game to ensure that (i) the necessary intellectual property rights have been obtained and (ii) it would not infringe upon any third parties' existing intellectual property rights.

Prior to game development, the game development team will take the following steps in order to avoid potential infringement upon third parties' existing trademark, copyright or patent rights:

- a comprehensive intellectual property right search in Hong Kong and Taiwan based on the preliminary game idea, primarily by conducting researches on the relevant websites that are open to the public, e.g. the website of Hong Kong Intellectual Property Department;

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- all search results will be reported to the leader of the game development team for final review;
- consult external legal advisers where necessary; and
- report the results to the management team, in particular, Mr. Sze, for approval.

After the game has been developed and to in order protect our intellectual property rights, we would apply for registration of the intellectual property rights. The following steps will be taken to ensure such application does not infringe existing intellectual property rights:

- perform a preliminary review of the application materials relating to the proposed trademark, copyright or patent right;
- make a preliminary assessment on whether such application violates any third parties' existing intellectual property rights;
- conducting searches, including searches on intellectual property right related websites;
- consult external legal advisers where necessary; and
- report to the management team, in particular, Mr. Sze, for approval.

Timely application for trademark, copyright or patent registrations, as well as the timely filing with relevant authorities of our newly developed games would also be essential for protecting our interests. We would engage external intellectual property agents to assist us in Hong Kong and in Taiwan to handle such legal compliance and applications.

Financial Reporting Risk Management

We have adopted comprehensive accounting policies in connection with our financial reporting risk management. We provide ongoing trainings to our accounting staff to ensure that these policies are well-observed and effectively implemented. As at the Latest Practicable Date, our accounting department consisted of four employees that are all experienced in finance and accounting.

Immediately before the Placing, we will establish an audit committee with the primary duties to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management systems of our Group, overseeing the audit process and performing other duties and responsibilities as assigned by our Board. The audit committee consists of Mr. Yung Kai Tai, Dr. Fung Ying Him Anthony and Mr. Iu Tak Meng Teddy with Mr. Iu Tak Meng Teddy as the chairperson.

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

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

Overview

Immediately following completion of the Capitalization Issue and the Placing (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), PCIL will hold approximately 41.74% of our issued Shares. As at the Latest Practicable Date, PCIL is beneficially owned as to 99% by PC Asia, which is beneficially owned by Ms. Wong as to 50% and Mr. Wong as to 50%, and as to 1% by PC Asia Nominees, which is a wholly-owned subsidiary of PC Asia. Whilst our Controlling Shareholders have not entered into any concert parties agreement in relation to their interests in PCIL, in all board meetings of PCIL held during the Track Record Period and up to the Latest Practicable Date, all of Mr. Wong and Ms. Wong, where present, have voted in a unanimous manner on any proposed resolution in respect of the management, development and operations of PCIL. In addition, Mr. Wong and Ms. Wong are acting together as a group of Controlling Shareholders. Given the above, our Controlling Shareholders have acted in concert throughout the Track Record Period and up to the Latest Practicable Date and are therefore deemed to be the Controlling Shareholders. Accordingly, Ms. Wong, Mr. Wong, PCIL and PC Asia will be regarded as our Controlling Shareholders under the GEM Listing Rules. The principal business of PCIL and PC Asia is investment holdings. Please refer to the section headed “History, Reorganization and Structure of our Group” in this prospectus for further details of the shareholding structure among our Controlling Shareholders.

INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

Our Directors are satisfied that we are capable of carrying on our business independently from and do not place undue reliance on our Controlling Shareholders taking into consideration the following factors:

(i) Management independence

Upon Listing, Ms. Wong, our non-executive Director, will be the only Director holding directorships in PCIL and PC Asia.

Our Company has a board of directors that functions independently from PCIL and PC Asia. Each of PCIL and PC Asia is an investment holding company with no business activities.

Our Board comprises two executive Directors, two non-executive Directors and three independent non-executive Directors (“INEDs”).

Our Directors believe that our Group will be able to operate independently of its Controlling Shareholders for the following reasons:

- (i) our Board will comprise seven members, six of whom will have no ongoing roles with, and are therefore independent from each of PCIL and PC Asia. Ms. Wong will remain as a non-executive Director and will not participate in the daily operation and management of the Company;

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

- (ii) with three INED out of a board size of seven, our Directors believe that there is a strong element on our Board which can effectively exercise independent judgment in order to address any situations of conflict of interest and to protect the interests of the independent Shareholders;
- (iii) each of our Directors is aware of his or her fiduciary duties as a Director which require, among other things, that he or she acts for the benefit and in the best interest of our Company and does not allow any conflict between his or her duties as a Director and his or her personal interests; and
- (iv) in the event that there is a potential conflict of interest arising out of any transaction to be entered into between our Group and our Directors or their respective associates, the interested Director(s) shall abstain from voting at the relevant Board meetings of our Company in respect of such transactions and shall not be counted in the quorum.

Having considered the above factors, our Directors are satisfied that they are able to perform their roles in our Company independently, and our Directors are of the view that we are capable of managing our business independently from the Controlling Shareholders after the Placing.

(ii) **Independence of business operations**

We have established our own organization structure comprised of individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. We have independent access to our customers and suppliers who are Independent Third Parties, and had not entered into any connected transactions with our Controlling Shareholders or any other connected persons save for the continuing connected transactions with NYIL, our substantial shareholder, that is expected to continue upon Listing as set out in the section headed “Continuing Connected Transactions” in this prospectus.

Our Directors are of the view that our Group is not operationally dependent on the continuing connected transactions with NYIL, our substantial shareholder, and the Group’s business will be operationally independent of the Controlling Shareholders.

(iii) **Financial independence**

Our Directors are of the view that we are able to maintain financial independence from our Controlling Shareholders. We historically have had, and will following completion of the Placing, continue to have our own financial and accounting systems. Our own accounting department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of our Controlling Shareholders and its close associates.

Our Group is capable of obtaining financing from external sources without reliance on our connected persons or their respective associates.

Therefore, our Directors are of the view that there is no financial dependence on our Controlling Shareholders.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

DEED OF NON-COMPETITION

Each of our Controlling Shareholders and our Directors has confirmed that none of them is interested in any business (other than our Group) which is or is likely to be directly or indirectly, in competition with our business, which would require disclosure under Rule 11.04 of the GEM Listing Rules.

In preparation for the Listing, each of Ms. Wong, Mr. Wong and Mr. Sze (together called, the “**Covenanting Shareholders**”) have entered into the Deed of Non-Competition in favour of our Company, pursuant to which he/she has severally undertaken, subject to the exceptions mentioned below, that he/she:

- (i) shall not, except through any member of our Group, directly or indirectly (whether as principal or agent, through any body corporate, partnership, joint venture or other contractual arrangement and whether for profit or otherwise) carry on, engage, invest or be interested or otherwise involved in any business that is similar to or in competition with or is likely to be in competition with any business carried on by any member of our Group from time to time (“**Restricted Business**”); and
- (ii) when he/she and/or any of his/her close associates are offered or become aware of any new business opportunity directly or indirectly to engage or become interested in a Restricted Business, he/she (i) shall promptly notify our Company in writing, refer such business opportunity to our Company for consideration first and provide such information as may be reasonably required by our Company to make an informed assessment and to evaluate the merit of such business opportunity; and (ii) shall not, and procure that his/her close associates shall not, invest or participate in any such business opportunity unless such business opportunity shall have been rejected by our Company and the principal terms of which he/she and/or his/her close associates invest or participate are no more favourable than those made available to our Company.

The aforesaid undertakings do not apply to the holding of or interests in shares or other securities by the Covenanting Shareholders in any company which conducts or is engaged in any Restricted Business, provided that, in the case of such shares, they are listed on a stock exchange and the total number of the shares held by the relevant Covenanting Shareholder and his/her close associates or in which they are together interested does not amount to more than 5% of the issued shares of that class of that company, provided that such Covenanting Shareholder and his/her close associates, whether acting singly or jointly, are not entitled to appoint a majority of directors of that company.

The Deed of Non-Competition and the rights and obligations thereunder are subject to and conditional upon the Placing becoming unconditional.

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

The obligations of a particular Covenanted Shareholder under the Deed of Non-Competition will remain in effect until:

- (i) the date on which the Shares cease to be listed on the Stock Exchange; or
- (ii) in case of Ms. Wong and Mr. Wong, the date on which Ms. Wong and Mr. Wong (as the case may be) ceases to be a controlling shareholder of the Company; and
- (iii) in case of Mr. Sze, the date on which Mr. Sze ceases to be a substantial shareholder of the Company.

whichever occurs first.

CORPORATE GOVERNANCE MEASURES

Pursuant to the Deed of Non-Competition, each of our Covenanted Shareholders has severally undertaken:

- (i) to provide our Company (including the INEDs) with all information necessary for their annual review and the enforcement of all undertakings, representations and warranties contained in the Deed of Non-Competition;
- (ii) to make an annual declaration of compliance with such undertakings, representations and warranties for disclosure in our Company's annual reports; and
- (iii) to abstain from voting at any general meeting of our Company if there is any actual or potential conflict of interests.

The declaration and disclosure regarding compliance with and enforcement of the Deed of Non-Competition shall be consistent with the principles of making voluntary disclosures in the Corporate Governance Report of our Company to be issued in accordance with Appendix 15 to the GEM Listing Rules.

In this connection, we will adopt the following corporate governance measures to manage any potential conflicts of interest arising from any future potential competing business and to safeguard the interests of our Shareholders:

- (i) our INEDs shall review, at least on an annual basis, the compliance with and enforcement of the terms of the Deed of Non-Competition by our Covenanted Shareholders;
- (ii) we will disclose in the corporate governance report of our annual report whether the terms of the Deed of Non-Competition have been complied with and enforced;
- (iii) each Director is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for the benefit of our Company and the Shareholders as a whole and does not allow any conflict of interests between his/her duties as a Director and his/her

RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

personal interests. In addition, our Directors are obliged under the Articles of Association to declare to our Board any potential conflict of interest with our Group at Board meetings. It is provided in the Articles of Association that a Director shall not vote (nor be counted in the quorum) on any resolution of our Board approving any contract or arrangement or other proposal in which he/she or any of his/her associates is materially interested. Our Board (including the INEDs) will monitor the potential conflict of interest of Directors and our Directors have to submit confirmations to the Board disclosing details of any interests in competing businesses in any interim or annual reports to be issued by our Company. If potential conflict of interest arises, the interested Director(s) will bring the matter to the INEDs and shall not be present during the discussion of the relevant resolution in which the conflict of interest may arise and shall abstain from voting on such proposed resolution;

- (iv) our Company has engaged Innovax Capital Limited as our compliance adviser who shall ensure that our Company is properly guided and advised as to compliance with the GEM Listing Rules and any other applicable laws and regulations; and
- (v) the INEDs may engage an independent professional advisers in appropriate circumstances at our Company's costs.

Our Directors consider that the above corporate governance measures are sufficient to manage any potential conflict of interests between our Covenanting Shareholders and our Group and to protect the interests of our Shareholders, in particular, the minority Shareholders.

CONTINUING CONNECTED TRANSACTIONS

CONTINUING CONNECTED TRANSACTIONS

Upon Listing, we will continue to have certain transactions that constitute continuing connected transactions of our Company as defined by the GEM Listing Rules. Set out below is a summary of these transactions.

Connected Person(s)	Transaction type	Applicable Listing Rule
NYIL, our substantial shareholder	Provision of payment collection services	Rule 20.74(1)(c)
Shanghai Nineyou Interactive Community and Media Co., Ltd. (上海久游網絡科技有限公司) (“ Shanghai Nineyou ”), an associate of our substantial shareholder	Provision of payment collection services	Rule 20.74(1)(c)

Upon Listing, NYIL will hold 18,367,182 Shares, representing approximately 11.48% of the entire issued share capital of the Company (without taking into account of any Share which may be issued upon exercise the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), and thus will be a substantial shareholder of our Company. Shanghai Nineyou is a PRC entity controlled by Nineyou Information Technology (Shanghai) Co. Ltd., which is wholly owned by NYIL, and is therefore an associate of our substantial shareholder under the GEM Listing Rules. Accordingly, NYIL and Shanghai Nineyou are connected persons of our Company.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

Background

Pursuant to a co-publishing and license agreement dated 10 June 2006 (as amended and supplemented by various agreements) made between NYIL, Shanghai Nineyou and Gameone Group (HK) (the “**Audition Agreements**”), NYIL has sublicensed the license and rights to operate *Audition Online* (勁舞團) to Shanghai Nineyou and Shanghai Nineyou has granted to us the exclusive right and license to, inter alia, publish *Audition Online* (勁舞團) in Hong Kong and Macau. We have been publishing *Audition Online* (勁舞團) through our game distribution platforms in consideration of a service fee payable by Shanghai Nineyou which represents a percentage ranging from 19.2% to 24% of revenue generated from the net sales of *Audition Online* (勁舞團) through our game distribution platforms. The Audition Agreements will expire on 30 September 2016.

Historical transaction amounts

The aggregate amount of service fee received by us for providing payment collection services pursuant to the Audition Agreements for each of the two financial years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were HK\$275,779.81, HK\$56,101.49 and HK\$14,402.92, respectively. The decrease in the transaction amounts was primarily attributable to the fall in popularity of *Audition Online* (勁舞團) and thus the decrease in the revenue generated from the net sales of *Audition Online* (勁舞團).

CONTINUING CONNECTED TRANSACTIONS

Annual caps and basis

The maximum aggregate amount of service fee received by us for providing payment collection services pursuant to the Audition Agreements for each of the two years ending 31 December 2015 and 2016 shall not exceed the caps set out below:

Transaction type	Proposed annual cap	
	2015	2016
	(HK\$)	(HK\$)
Service fee to be received by us for providing payment collection services	<u>50,000</u>	<u>37,500</u>

In arriving at the above annual caps, our Directors have considered the expected continuous fall in popularity of *Audition Online* (勁舞團) and thus the decrease in the revenue generated from the net sales of *Audition Online* (勁舞團) for the remaining term of the Audition Agreements.

Implications under the GEM Listing Rules

Pursuant to the GEM Listing Rules, using the proposed aggregate annual caps above as the numerators for the purpose of calculating the percentage ratios, the relevant applicable percentage ratios (other than the profits ratios) for the above continuing connected transactions is expected to less than 5% and the total consideration is less than HK\$3,000,000. Accordingly, the continuing connected transactions contemplated under the Audition Agreements fall within the *de minimis* threshold under Rule 20.74(1)(c) of the GEM Listing Rules and are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

CONFIRMATION FROM OUR DIRECTORS

Our Directors (including the independent non-executive Directors) consider that the Audition Agreements have been entered into the ordinary and usual course of business and on normal commercial terms, and the terms of and transactions contemplated under the Audition Agreements and the annual caps set out above are fair and reasonable, on normal commercial terms and in the interests of our Shareholders as a whole.

DIRECTORS AND SENIOR MANAGEMENT

BOARD OF DIRECTORS

Our Board is consisted of seven Directors, comprising two executive Directors, two non-executive Directors and three independent non-executive Directors. The powers and duties of our Board include convening general meetings and reporting our Board's work at our Shareholders' meetings, determining our business and investment plans, preparing our annual financial budgets and final reports, formulating proposals for profit distributions and for the increase or reduction of our registered capital as well as exercising other powers, functions and duties as conferred by our Memorandum and Articles of Association. We have entered into a service contract with each of our executive Directors. We have also entered into a letter of appointment with our non-executive Directors and each of our independent non-executive Directors.

The table below shows certain information with respect to our Directors and senior management:

Members of our Board

Name	Age	Date of joining our Group or our predecessor Gameone Interactive.com Inc. (as the case may be)	Date of appointment as Director	Existing position(s) in our Group	Roles and responsibilities	Relationship with other Directors and senior management
Mr. Sze Yan Ngai (施仁毅)	49	April 2000	14 April 2010	Chairman and executive Director	Overall strategic planning and overseeing the general management of our Group	Elder brother of Ms. Sze Ling Ling
Mr. Lam Kin Fai (林堅輝)	31	May 2006	30 September 2015	Executive Director, Chief Technical Officer and Chief Executive Officer	Supervision of technical matters related to game development and the game design and operations of games	N/A
Ms. Wong Pui Yain (黃佩茵)	37	March 2003	30 September 2015	Non-executive Director	Supervision of compliance, corporate governance and business development	N/A
Mr. Hong Ming Sang (項明生)	46	November 2013	2 October 2015	Non-Executive Director	Overall strategic planning and business development	N/A
Mr. Yung Kai Tai (容啟泰)	64	23 December 2015	23 December 2015	Independent non-executive Director	Supervising and providing independent advice to our Board	N/A
Dr. Fung Ying Him Anthony (馮應謙)	46	23 December 2015	23 December 2015	Independent non-executive Director	Supervising and providing independent advice to our Board	N/A
Mr. Iu Tak Meng Teddy (余德鳴)	53	23 December 2015	23 December 2015	Independent non-executive Director	Supervising and providing independent advice to our Board	N/A

DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Sze Yan Ngai (施仁毅), aged 49, was appointed as our Director on 14 April 2010, re-designated as an executive Director and appointed as the chairman of our Board on 30 September 2015. Mr. Sze is primarily responsible for our Group's overall strategic planning and overseeing the general management of our Group. He joined the predecessor of our Group, Gameone Interactive.com Inc., in April 2000 and had worked as the chief executive officer from January 2003 to November 2013. Mr. Sze is also directors of certain subsidiaries of our Group. Mr. Sze has over 10 years of experience in game operation and development and game magazine publication industry. Mr. Sze is the elder brother of Ms. Sze Ling Ling, the Chief Operation Officer of our Group.

Mr. Sze is one of the founders of Hong Kong Game Industry Association, which was established in 2004. From August 2009 to July 2011, he was a member of the Vetting Committee of the Create Smart Initiative which was established by the Hong Kong Government to provide financial support to initiatives that are conducive to the development and promotion of creative industries in Hong Kong. He is also the founding member of Hong Kong Novel Association. Mr. Sze was elected as the "1st Hong Kong Digital Entertainment Industry Person of the Year (第一屆香港數碼娛樂業風雲人物)" by the Hong Kong Digital Entertainment Association in 2007.

Mr. Sze was a director of the following companies, which were dissolved (but not due to member's voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
Gameone Technology Group Limited (勁一番科技集團有限公司) ⁽¹⁾	Never carried on business	6 July 2001
Super Faith Productions Limited (威信製作有限公司) ⁽¹⁾	Inactive	26 April 2002
G-CHANNELS.COM LIMITED (遊戲頻道網站有限公司) ⁽¹⁾	Ceased business	21 November 2003
Gameone Online Entertainment Limited (智傲網上娛樂有限公司) ⁽¹⁾	Never carried on business	21 November 2003
Gameone Publication Limited (智傲出版有限公司) (formerly known as Vision Publication Company Limited) ⁽¹⁾	Ceased business	19 March 2004
Gameone Online Entertainment (S) Pte Ltd.	Inactive	12 February 2009
Top Game Limited ⁽¹⁾	Never carried on business	2 December 2011
Shanghai Gameone Software Limited* (上海智傲軟件有限公司)	Ceased business	24 February 2014

Note:

- (1) Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Sze confirmed that there is no wrongful act on his part leading to the above dissolutions of the companies and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolutions of these companies.

Mr. Lam Kin Fai (林堅輝), aged 31, was appointed as our executive Director on 30 September 2015. He is the Chief Technical Officer of our Group and the Chief Executive Officer of our Group. He is mainly responsible for supervision of technical matters related to game development, and the game design and operation of games. He has about 9 years of experience in the game development industry.

Mr. Lam obtained a degree of Bachelor of Engineering in Computer Engineering from The University of Hong Kong in December 2006. He joined our Group in May 2006 and since then he served the position of Game Programmer of Gameone Online Entertainment Limited, responsible for developing MMORPG game system and client end program from May 2006 to December 2008, R&D team Manager of Gameone Online Entertainment Limited, responsible for supervising game development and programming matters from December 2008 to December 2009 and Technical Director of Gameone Online Technology Limited, responsible for leading R&D teams to develop games in different platforms, liaising with other business partners on out-sourcing projects, leading technical support team for server maintenance and developing certain mobile games from December 2009 to present.

Non-executive Directors

Ms. Wong Pui Yain (黃佩茵), aged 37, was appointed as our non-executive Director on 30 September 2015. She is mainly responsible for supervision of compliance, corporate governance and business development.

Ms. Wong graduated from University of Western Australia in March 2000 with degree of Bachelor of Economics. She is experienced in hotel management and is one of the founders of Irving Management Limited (now known as JIA Hong Kong Operations Limited) which operates the JIA Bontique Hotel in Hong Kong since 2004. Ms. Wong was awarded “Innovative Entrepreneur of the Year 2006” by Hong Kong’s City Junior Chamber in 2006. She was also named on the list of “Asia’s Best Young Entrepreneurs 2008” by Businessweek in 2008 and the “Women of Our Time” by South China Morning Post in 2013.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Wong was a director of the following companies, which were dissolved (but not due to member's voluntary winding-up) with details as follows:

Name of Company	Nature of business immediately prior to dissolution	Date of dissolution
JIA Beijing Limited ⁽¹⁾	Ceased business	17 February 2012
JIA Holdings Limited ⁽¹⁾	Ceased business	6 July 2012
W Tien Limited ⁽¹⁾	Ceased business	24 March 2006
Benton Asia Limited ⁽¹⁾	Ceased business	29 June 2007
Cigair Limited ⁽¹⁾	Ceased business	2 September 2005
Cigarro (Asia) Limited ⁽¹⁾	Ceased business	29 June 2007
Cigarro Holdings Limited ⁽¹⁾	Ceased business	2 September 2005
PC Contracting Limited (沛峻營造工程有限公司) ⁽¹⁾	Ceased business	6 January 2012
Sea to Sky Holdings Limited ⁽¹⁾	Ceased business	14 June 2002

Note:

Under section 291AA of the Predecessor Companies Ordinance, an application for deregistration can only be made if (a) all the members of such company agree to such deregistration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Ms. Wong confirmed that there is no wrongful act on her part leading to the above dissolutions of the companies and she is not aware of any actual or potential claim has been or will be made against her as a result of the dissolutions of these companies.

Mr. Hong Ming Sang (項明生), aged 46, was appointed as our non-executive Director on 2 October 2015. He is mainly responsible for the overall strategic planning and business development. He has over 10 years of experience in the game industry.

Mr. Hong joined our Group in November 2013 and assumed the role as the chief executive officer of Gameone Group (HK) in November 2013, only responsible for assisting our Company in making initial contact with owners/developers of Japanese games. During the Track Record Period, two Japanese games, namely *My Cutest Princess** (我家公主最可愛) and *SEGA Soccer League** (SEGA 創造球會), for which Mr. Hong assisted in making direct initial contact with the respective owners/developers contributed to our revenue of approximately nil, HK\$13.2 million and HK\$9.8 million for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, representing approximately nil, 16.9% and 14.2% of the total revenue for the corresponding periods. Mr. Hong resigned as chief executive officer of Gameone Group (HK) in November 2015 as he intends not to take up any executive role in our Group. As we have established business connections with owners/developers of Japanese games, our Directors believe that we are able to obtain licenses of other Japanese games after Mr. Hong's resignation as chief executive officer of Gameone Group (HK), a subsidiary of our Group. Mr. Hong is currently an independent non-executive Director of Guru Online (Holdings) Limited (Stock Code: 8121).

DIRECTORS AND SENIOR MANAGEMENT

Mr. Hong graduated from The University of Hong Kong in Hong Kong, with a degree of bachelor of arts in December 1992. He obtained a diploma in marketing and international business from The Chinese University of Hong Kong in Hong Kong, in October 1997. In June 2007, Mr. Hong co-founded Asia HD Association Limited, a non-profit making organization on the promotion of high-definition technology development in Hong Kong, and has been one of its directors since then. From September 2011 to November 2013, Mr. Hong was one of the directors of Sony Computer Entertainment Hong Kong Limited, a video game company.

Mr. Hong had been a director of Modernize Limited (新登有限公司) (“**Modernize**”), a private company incorporated in Hong Kong. Modernize was dissolved by de-registration on 5 July 2002. Under section 291AA of the Predecessor Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agree to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) such company has no outstanding liabilities.

Mr. Hong confirmed that there is no wrongful act on his part leading to the above dissolution and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution.

Independent non-executive Directors

Mr. Yung Kai Tai (容啟泰), aged 64, was appointed as our independent non-executive Director on 23 December 2015. He is responsible for supervising and providing independent judgment to our Board.

Mr. Yung obtained a Bachelor of Science degree and a Master of Business Administration, both from the Chinese University of Hong Kong in October 1973 and October 1986 respectively. Mr. Yung also completed a Certificate of Delivery Information Services by Harvard University Graduate School of Business Administration in July 1997.

Before his retirement in May 2011, Mr. Yung was the General Manager of Information Technology Industry Development Division of the Hong Kong Productivity Council. Mr. Yung acts as the Chairman of the Hong Kong Game Industry Association, the Vice-President of the Hong Kong Software Industry Association and is a council member of the Hong Kong Association for the Advancement of Science and Technology. Mr. Yung was also elected as Distinguished Fellow member of the Hong Kong Computer Society in September 1998 and the representative of the Information Technology Sub-sector in the Election Committee in the year 2006. Mr. Yung is currently an independent non-executive director of ETS Group Limited (Stock Code: 8031).

Mr. Yung had been a director of Hong Kong Information Technology Golf Association Limited (香港資訊科技高爾夫球會有限公司) (“**HKITG**”), a private company incorporated in Hong Kong. HKITG was dissolved by de-registration on 20 April 2012. Under section 291AA of the Predecessor

DIRECTORS AND SENIOR MANAGEMENT

Companies Ordinance, an application for de-registration can only be made if (a) all the members of such company agree to such de-registration; (b) such company has never commenced business or operation, or has ceased to carry on business or ceased operation for more than three months immediately before the application; and (c) and such company has no outstanding liabilities.

Mr. Yung confirmed that there is no wrongful act on his part leading to the above dissolution and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution.

Dr. Fung Ying Him Anthony (馮應謙), aged 46, was appointed as our independent non-executive Director on 23 December 2015. He is responsible for supervising and providing independent judgment to our Board.

Dr. Fung obtained a Bachelor of Social Science from The Chinese University of Hong Kong in Hong Kong in July 1992. He also obtained a Master of Art and a Doctor of Philosophy, both from University of Minnesota, the United States in May 1995 and September 1998 respectively.

Dr. Fung is the school director and professor of the School of Journalism and Communication of The Chinese University of Hong Kong. He is also the associate director of Hong Kong Institute of Asia-Pacific Studies of The Chinese University of Hong Kong and a Pearl River Chair Professor at Jinan University at Guangzhou, PRC. His research interests and teaching focus on popular culture and cultural studies, popular music, gender and youth identity, cultural industries and policy, and new media studies. He published widely in international journals, and authored and edited more than ten Chinese and English books.

Dr. Fung was a specialist of Hong Kong Council for Accreditation of Academic & Vocational Qualifications and is a co-opt member of Pneumoconiosis Compensation Fund Board. Dr. Fung was a member of Citizens Advisory Committee on Community Relations of Independent Commission Against Corruption from December 2007 to December 2013.

Mr. Iu Tak Meng Teddy (余德鳴), aged 53, was appointed as our independent non-executive Director on 23 December 2015. He is responsible for supervising and providing independent judgment to our Board.

Mr. Iu obtained a Diploma in Management Studies from The Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) in November 1990 and then obtained a Master of Science in Information Systems and a Master of Science in Accountancy both from The Hong Kong Polytechnic University in October 1995 and November 2002 respectively. He has been a fellow member of the Chartered Institute of Management Accountants since March 1995 and the Hong Kong Society of Accountants (currently known as the Hong Kong Institute of Certified Public Accountants) since June 1997. He has also been a fellow of The Hong Kong Institute of Directors since October 2012. He has been a member of the Canadian Institute of Mining, Metallurgy and Petroleum since February 2012, The Australasian Institute of Mining and Metallurgy since August 2013. He has been a fellow of The Geological Society of London since November 2013. Mr. Iu was granted the designation of Chartered Global Management Accountant by the Chartered Institute of Management Accountants in January 2012.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Iu was a part-time visiting lecturer at the Department of Accountancy (now part of the School of Accounting and Finance) of The Hong Kong Polytechnic University from February to May 2000, September 2000 to December 2000 and January to May 2001. From April 2001 to January 2002, Mr. Iu worked as EDP Manager for Asia Pacific Operations for Moulinex Far East Limited.

Mr. Iu was a council member from June 1994 to June 2004 and served as the President of the council from June 2001 to June 2002 of the Hong Kong Division of the Chartered Institute of Management Accountants. He was also a member of the Solicitors Disciplinary Tribunal Panel from July 2003 to July 2009.

Mr. Iu had been a director of Power Asset Management Limited (匯駿管理有限公司) (“**Power Asset**”), a private company incorporated in Hong Kong. Power Asset never commenced business and was struck off and dissolved by the Registrar of Companies in Hong Kong on 24 March 2005 under section 291 of the Predecessor Companies Ordinance.

Mr. Iu confirmed that there is no wrongful act on his part leading to the above dissolution and struck off, and he is not aware of any actual or potential claim has been or will be made against him as a result of the dissolution.

Other disclosure pursuant to Rule 17.50(2) of the GEM Listing Rules

Save as disclosed above, each of our Directors confirm with respect to him or her that he or she (i) did not hold other positions in our Company or members of our Group as at the Latest Practicable Date; (ii) had no other relationship with any Directors, senior management or substantial or Controlling Shareholders of our Company as at the Latest Practicable Date; (iii) did not hold any other directorships in the three years prior to the Latest Practicable Date in any public companies of which the securities are listed on any securities market in Hong Kong and/or overseas; (iv) there are no other matters concerning our Directors’ appointment that need to be brought to the attention of our Shareholders and the Stock Exchange or shall be disclosed pursuant to Rule 17.50(2) of the Listing Rules. As at the Latest Practicable Date, save as the interests of Mr. Sze Yan Ngan and Ms. Wong Pui Yain in the Shares which are disclosed in the section headed “Appendix IV Statutory and General Information — Further Information about Directors and Shareholders” in this prospectus, each of our Directors did not have any interest in the Shares within the meaning of Part XV of the SFO.

SENIOR MANAGEMENT

Ms. Sze Ling Ling (施玲玲), aged 46, was appointed as the Chief Operation Officer of our Group on 23 December 2015. She is mainly responsible for the overall sales and marketing of our Group. Ms. Sze joined the predecessor company of our Group Gameone Interactive.com Inc. in November 2004. Ms. Sze had over 10 years of experience in game operation company and marketing acquired through our Group. Ms. Sze is the younger sister of Mr. Sze Yan Ngai, the chairman and executive Director of our Group.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Leung Pui Ching Connie (梁佩晴), aged 31, was appointed as the System Technical Director of our Group on 23 December 2015. She is mainly responsible for assessing technical risk and mitigation plan, establishing standards and procedures to track and measure project's progression, overseeing technical design documentation process for correctness and timeliness and evaluating development implementation on design and task thoroughness. Ms. Leung had over 7 years of experience in game development. Ms. Leung obtained the degree of Bachelor of Science in Creative Technologies from Coventry University, United Kingdom in October 2008 and the degree of Master of Science in Multimedia and Entertainment Technology from The Hong Kong Polytechnic University in November 2010.

Prior to joining our Group, Ms. Leung worked for The Hong Kong Polytechnic University as Research Assistant from September 2010 to August 2011, responsible for creating and managing E-learning platforms. She then joined Gameone Group Limited in August 2011 as Web Developer, responsible for developing and managing secure online payment system, preparing menus and documents for software and game developers, building the application platform interfaces for the game server to communicate with payment system and monitoring and optimizing the performance of databases. She was then promoted to System Technical Manager in June 2013, responsible for coordinating with management in developing business strategic plans and operating policies, managing project planning, staffing and schedule and collaborating with management on application development, enhancement and deployment activities.

Mr. Tsai Hsiang Jen (蔡翔任), aged 40, was appointed as Operation Director (Taiwan) of our Group on 23 December 2015. He is mainly responsible for marketing strategy and leading the operation team in Taiwan. Mr. Tsai has over 13 years of experience in game operation. Mr. Tsai graduated in Ging Chung Business College# (私立精鐘商業專科學校), Taiwan, major in information management, in June 2001.

Prior to joining our Group, Mr. Tsai had worked for Softstar Entertainment Inc.* (大宇資訊股份有限公司) from March 2004 to December 2005, JSDWAY Digital Technology Co., Ltd.* (捷達威數位科技股份有限公司) from March 2006 to April 2009. In April 2009, he joined USERJOY Technology Co., Ltd.* (宇峻奧汀科技股份有限公司) until February 2011. Mr. Tsai joined New Gameone (Taiwan) in March 2011 as Director of Operations, mainly responsible for marketing strategy and leading the operation team in Taiwan.

Ms. Li On Lei (李安梨), aged 38, was appointed as the financial controller of our Group in June 2015. She is primarily responsible for the handling and overseeing financial reporting, financial planning and reviewing internal control of our Group. Ms. Li graduated from Leeds Metropolitan University with a Bachelor of Arts (Hons) Degree in Accounting and Finance in June 2003. Prior to joining our Group, Ms. Li has worked in the Audit and Assurance Department of an international accounting firm from July 2004 to May 2015 and her last position was senior manager. Ms. Li is a member of The Association of Chartered Certified Accountants.

DIRECTORS AND SENIOR MANAGEMENT

COMPANY SECRETARY

Mr. Chan Man Kay (陳文基), aged 35, was appointed as the Company Secretary of our Group on 4 September 2015. Mr. Chan has obtained a Bachelor of Arts degree in Accountancy from the Hong Kong Polytechnic University in November 2002 and a Master of Arts degree in Operations and Supply Chain Management from City University of Hong Kong in November 2008. Mr. Chan was qualified as a certified public accountant in Hong Kong in January 2007. Mr. Chan has obtained an Advanced Diploma in Management Accounting awarded by the Chartered Institute of Management Accountants in September 2003. He was admitted as the fellow member of the Association of Chartered Certified Accountants in February 2011, an associate member of the Chartered Institute of Management Accountants in November 2006, a member of the Hong Kong Securities Institute in February 2006 and a certified International Investment Analysts awarded by Certified International Investment Analyst in May 2005. Mr. Chan has 12 years of experience in accounting, corporate governance and corporate finance. Mr. Chan worked for Evolution Securities Asia Limited (formerly known as Watterson Asia Limited) from January 2003 to December 2010 and his last position was associate director. He has worked for TC Capital Asia Limited from December 2010 to October 2015 and his last position was director of corporate finance. He is currently a director of corporate finance in Frontpage Capital Limited. He is also currently the company secretary of Pak Wing Group (Holdings) Limited (Stock Code: 8316) and Clear Lift Holdings Limited (Stock Code: 1341).

COMPLIANCE OFFICER

Mr. Sze Yan Ngai (施仁毅) is the compliance officer of our Company. For details of his biography, please refer to the paragraph headed “Directors — Executive Directors” above of this section.

BOARD COMMITTEES

Audit Committee

We have established an audit committee on 23 December 2015 with written terms of reference in compliance with Rule 5.28 of the GEM Listing Rules and paragraph C3.3 of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, Mr. Iu Tak Meng Teddy (being the chairman of the audit committee who has a professional qualification in accountancy), Mr. Yung Kai Tai and Dr. Fung Ying Him Anthony. The primary duties of the audit committee are to assist our Board by providing an independent view of the effectiveness of the financial reporting process, internal control and risk management system of our Group, to oversee the audit process, to develop and review our policies and to perform other duties and responsibilities as assigned by our Board.

DIRECTORS AND SENIOR MANAGEMENT

Remuneration Committee

We have established a remuneration committee on 23 December 2015 with written terms of reference in compliance with Rule 5.34 of the GEM Listing Rules and paragraph B1.1 of the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules. The remuneration committee consists of three members, all of whom are independent non-executive Directors, being Dr. Fung Ying Him Anthony and Mr. Iu Tak Meng Teddy, and is chaired by Mr. Yung Kai Tai. The primary duties of the remuneration committee include (but without limitation): (i) making recommendations to the Directors regarding our policy and structure for the remuneration of all our Directors and senior management and on the establishment of a formal and transparent procedure for developing remuneration policies; (ii) making recommendations to our Board on the remuneration packages of our Directors and senior management; (iii) reviewing and approving the management's remuneration proposals with reference to our Board's corporate goals and objectives; and (iv) considering and approving the grant of share options to eligible participants pursuant to the Share Option Scheme.

During the Track Record Period, our remuneration policy for our Directors and senior management members was based on their experience, level of responsibility and general market conditions. Any discretionary bonus and other merit payments are linked to the profit performance of our Group and the individual performance of our Directors and senior management members. We intend to adopt the same remuneration policy after the Listing, subject to review by and the recommendations of our remuneration committee.

Nomination Committee

We have established a nomination committee on 23 December 2015 with written terms of reference. The nomination committee consists of four members, namely Mr. Sze Yan Ngai, Dr. Fung Ying Him Anthony, Mr. Iu Tak Meng Teddy and Mr. Yung Kai Tai. Three of the members are our independent non-executive Directors. The chairman of the nomination committee is Mr. Sze Yan Ngai. The primary function of the nomination committee is to make recommendations to our Board on the appointment of members of our Board.

CORPORATE GOVERNANCE

Our Directors recognise the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of our Group so as to achieve effective accountability.

Our Company has adopted the code provisions stated in the Corporate Governance Code (the “CG Code”) as set forth in Appendix 15 to the GEM Listing Rules. Our Company is committed to the view that our Board should include a balanced composition of executive and independent non-executive Directors so that there is a strong independent element on our Board, which can effectively exercise independent judgment.

DIRECTORS AND SENIOR MANAGEMENT

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

Our executive Directors, who are also our employees, receive, in their capacity as our employees, compensation in the form of salary and cash bonus.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to our Directors for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 was approximately HK\$2.1 million, HK\$2.6 million and HK\$0.9 million, respectively.

The aggregate amount of remuneration including fees, salaries, contributions to pension schemes, housing allowances and other allowances, benefits in kind and discretionary bonuses which were paid by our Group to the five highest paid individuals for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 was HK\$3.0 million, HK\$3.4 million and HK\$1.2 million, respectively.

No remuneration was paid by our Group to the Directors or past directors or the five highest paid individuals as an inducement to join or upon joining our Group or as a compensation for loss of office in respect of the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015. Further, none of our Directors waived any remuneration during the same periods.

Under our arrangements currently in force, the aggregate remuneration (including fees, salaries, contributions to pension schemes, housing allowances and other allowances and benefits in kind) of our Directors for the year ending 31 December 2015 is estimated to be no more than HK\$1.74 million.

SHARE OPTION SCHEME

We have conditionally adopted the Share Option Scheme on 23 December 2015. For details of the Share Option Scheme, please refer to the section headed “Statutory and General Information — Other information — 14. Share Option Scheme” in Appendix IV to this prospectus.

COMPLIANCE ADVISER

We have appointed Innovax Capital Limited as our compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise us in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated, including share issues and share repurchases;

DIRECTORS AND SENIOR MANAGEMENT

- (c) where we propose to use the net proceeds of the Placing in a manner different from that detailed in this prospectus or where our business activities, developments or results deviate from any forecast, estimate or other information in this prospectus; and
- (d) where the Stock Exchange makes an inquiry of us regarding unusual movements in the price or trading volume of our Shares.

The term of the appointment shall commence on the Listing Date and end on the date which we distribute our annual report of our financial results for the first full financial year commencing after the Listing Date and such appointment may be subject to extension by mutual agreement.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

SUBSTANTIAL SHAREHOLDERS

So far as our Directors are aware, immediately following the completion of the Capitalization Issue and the Placing (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company, the following persons will have an interest or short position in our Shares or underlying Shares which would fall to be disclosed to us under the provisions of Divisions 2 and 3 of Part XV of the SFO, or 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 other member of our Group:

Name	Nature of Interest	<u>Immediately upon the completion of the Capitalization Issue and the Placing</u>	
		Number of Shares ⁽¹⁾	Approximate Percentage of shareholding
PCIL ⁽²⁾	Beneficial owner	66,787,235 (L)	41.74%
PC Asia ⁽²⁾	Interest of a controlled corporation	66,787,235 (L)	41.74%
Mr. Wong ⁽³⁾	Interest of a controlled corporation	66,787,235 (L)	41.74%
Right One ⁽⁴⁾	Beneficial owner	21,874,107 (L)	13.67%
NYIL ⁽⁵⁾	Beneficial owner	18,367,182 (L)	11.48%
Heartland Investment Limited	Interest of a controlled corporation	18,367,182 (L)	11.48%

Notes:

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) PCIL is beneficially owned by PC Asia as to 99% and PC Asia Nominees Limited as to 1%. PC Asia Nominees is beneficially owned by PC Asia. Whilst our Controlling Shareholders have not entered into any concert parties agreement in relation to their interests in PCIL, in all board meetings of PCIL held during the Track Record Period and up to the Latest Practicable Date, all of Mr. Wong and Ms. Wong, where present, have voted in a unanimous manner on any proposed resolution in respect of the management, development and operations of PCIL. In addition, Mr. Wong and Ms. Wong are acting together as a group of Controlling Shareholders. Given the above, our Controlling Shareholders have acted in concert throughout the Track Record Period and up to the Latest Practicable Date and are therefore deemed to be the Controlling Shareholders.
- (3) PC Asia is beneficially owned by Ms. Wong as to 50% and Mr. Wong as to 50%. Mr. Wong is the father of Ms. Wong. Please refer to paragraphs headed “Further Information about Directors and Shareholders” in Appendix IV to this prospectus for the details of the interest of Ms. Wong in the shares, underlying shares or debentures of our Company and our associated corporations.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

- (4) Mr. Sze is the sole shareholder of Right One which holds 21,874,107 Shares. In addition, Mr. Sze holds 70% of the entire issued share capital of Gameone (BVI), which in turn holds 9,374,615 Shares. By virtue of the SFO, Mr. Sze is deemed to be interested in the Shares in which Right One and Gameone (BVI) are interested. Please refer to paragraphs headed “Further Information about Directors and Shareholders” in Appendix IV to this prospectus for the details of the interest of Mr. Sze in the shares, underlying shares or debentures of our Company and our associated corporations.
- (5) Based on the information provided by NYIL, NYIL is beneficially owned by Heartland Investment Limited as to approximately 44.443%, Wollerton Investments Pte. Ltd. as to approximately 18.958%, Fair Gold International Limited as to approximately 15.612%, Everstar Overseas Holding Ltd. as to approximately 10.036%, Star Fortune Overseas Holding Limited as to approximately 8% and Hongxin International Holdings Limited as to approximately 2.951%, all of whom are Independent Third Parties.

Save as disclosed in the section headed “Substantial and Significant Shareholders” in the prospectus, our Directors are not aware of any person who will, immediately following the completion of the Capitalization Issue and the Placing (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), have an interest or a short position in the 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 and any other member of our Group.

BUSINESS OF NYIL, OUR SUBSTANTIAL SHAREHOLDER

Immediately upon completion of the Capitalization Issue and the Placing, NYIL will hold approximately 11.48% of the issued share capital of our Company taking no account of the Shares which may be issued upon exercise of the Offer Size Adjustment Option or Shares which may be issued upon the exercise of options which may be granted under the Share Option Scheme, and hence NYIL is one of our substantial shareholders.

Apart from holding an interest in our Company, which is the holding company of our subsidiaries principally engaged in game development, game operation and game publishing focusing in the market of Hong Kong and Taiwan, NYIL is the holding company of a group of subsidiaries currently engaged in the operation and research and development of online games in the PRC and network game licensing business. While the games offered by us are localised into Traditional Chinese specifically for the market of Hong Kong and Taiwan and NYIL focuses on offering games to the customers in the PRC, NYIL’s business indirectly competes with ours on the basis that games can be downloaded through certain platforms by players without geographical restrictions.

NYIL has no representative in our Board. Each of our Company and NYIL has a board of directors that functions independently of each other. Therefore, our Directors are of the view that there is no management dependence on NYIL.

We have had, and will following completion of the Placing, continue to have our own financial and accounting systems. Our own accounts department is capable of discharging the treasury functions for cash receipts and payments, accounting, reporting and internal control independently of NYIL and its associates. Our Group is capable of obtaining financing from external sources without reliance on NYIL. Therefore, our Directors are of the view that there is no financial dependence on NYIL.

SUBSTANTIAL AND SIGNIFICANT SHAREHOLDERS

We have established our own organization structure comprised of individual departments, each with specific areas of responsibilities. We have also established internal control procedures to facilitate the effective and efficient operation of our business. We have independent access to our customers and suppliers, and had not entered into any transaction with NYIL save for the exempt continuing connected transactions that is expected to continue after Listing as set out in the section headed “Continuing Connected Transactions” in this prospectus. Therefore, our Directors are of the view that our Group’s business will be operationally independent of NYIL.

To the best of our knowledge, save as disclosed in the section headed “Substantial and Significant Shareholders” in this prospectus, none of our substantial shareholders or their respective close associates is interested in any business which is, whether directly or indirectly, in competition with our business.

SIGNIFICANT SHAREHOLDER

So far as our Directors are aware, apart from the persons disclosed under the section headed “Relationship with our Controlling Shareholders” in this prospectus and the paragraph headed “Substantial Shareholders” above, immediately after completion of the Capitalization Issue and the Placing (without taking into account of any Share which may be issued upon exercise of the Offer Size Adjustment Option or any Share which may be issued upon exercise of any options which may be granted under the Share Option Scheme), each of the following person(s) will be entitled to exercise or control the exercise of 5% or more of the voting power at general meetings of our Company, and is accordingly regarded as a significant shareholder upon Listing under the GEM Listing Rules:

Name	Nature of Interest	Immediately upon the completion of the Capitalization Issue and the Placing	
		Number of Shares ⁽¹⁾	Approximate Percentage of shareholding
Gameone (BVI) ⁽²⁾	Beneficial owner	9,374,615 (L)	5.86%

Notes:

(1) The letter “L” denotes the entity/person’s long position in the Shares.

(2) Gameone (BVI) is beneficially owned by Mr. Tam Hoi Chi, an Independent Third Party, as to 30% and 70% by our Director, Mr. Sze.

SHARE CAPITAL

The authorised and issued share capital of our Company is as follows:

	HK\$
<i>Authorised share capital:</i>	
1,000,000,000 Shares of par value HK\$0.01 each	<u>10,000,000</u>
	<u>10,000,000</u>

Assuming the Offer Size Adjustment Option is not exercised, the issued share capital of our Company immediately following the Capitalization Issue and the Placing will be as follows:

	HK\$
<i>Issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalization Issue and the Placing:</i>	
8,534,007 Shares in issue as at the date of this prospectus	85,340.07
111,465,993 Shares to be issued under the Capitalization Issue	1,114,659.93
<u>40,000,000</u> Shares to be issued under the Placing	<u>400,000</u>
<u>160,000,000</u> Shares in total	<u>1,600,000</u>

Assuming the Offer Size Adjustment Option is exercised in full, the issued share capital of our Company immediately following the Capitalization Issue and the Placing will be as follows:

	HK\$
<i>Issued and to be issued, fully paid or credited as fully paid, upon completion of the Capitalization Issue and the Placing:</i>	
8,534,007 Shares in issue as at the date of this prospectus	85,340.07
111,465,993 Shares to be issued under the Capitalization Issue	1,114,659.93
Shares to be issued under the Placing and the Offer Size Adjustment Option	<u>460,000</u>
<u>166,000,000</u> Shares in total	<u>1,660,000</u>

ASSUMPTIONS

The above table assumes that the Placing becomes unconditional.

The above table takes no account of (a) Shares which may be allotted and issued upon the exercise of any options which may be granted under the Share Option Scheme or (b) any Shares which may be allotted and issued or repurchased by our Company pursuant to the general mandate given to the Directors to allot and issue or repurchase Shares as described below.

SHARE CAPITAL

RANKING

The Placing Shares and the Shares that may be issued pursuant to exercise of the Offer Size Adjustment Option will rank pari passu in all respects with all other existing Shares in issue as mentioned in this prospectus, and in particular, will be entitled to all dividends and other distributions hereafter declared, paid or made on the Shares after the date of this prospectus save for entitlements under the Capitalization Issue.

CAPITALIZATION ISSUE

Pursuant to the written resolutions of our Shareholders passed on 23 December 2015 and subject to the conditions set out therein, our Directors were authorised to allot and issue a total of 111,465,993 Shares credited as fully paid at par to the Shareholders whose name appears on the register of members of our Company at close of business on 23 December 2015 by way of capitalization of the sum of HK\$1,114,659.93 standing to the credit of the share premium account of our Company, and the Shares to be allotted and issued under this resolution shall rank pari passu in all respects with the existing issued Shares. For further details, please see the section “Statutory and General Information — Further Information about our Group — 3. Resolutions of the Shareholders” in Appendix IV to this prospectus.

MINIMUM PUBLIC FLOAT

Pursuant to Rule 11.23(7) of the GEM Listing Rules, at the time of the Listing and at all times thereafter, our Company must maintain the minimum prescribed percentage of 25% of our issued share capital in the hands of the public (as defined in the GEM Listing Rules).

SHARE OPTION SCHEME

Our Company has conditionally adopted the Share Option Scheme on 23 December 2015. Under the Share Option Scheme, the eligible participants of the scheme, including directors, employees of and advisors and consultants to our Company or our subsidiaries may be granted options which entitle them to subscribe for Shares, when aggregated with options granted under any other scheme, representing initially not more than 10% of the Shares in issue on the Listing Date (i.e. 16,000,000 Shares, without taking into account Shares which may be issued upon the exercise of the Offer Size Adjustment Option). Further details of the terms of the Share Option Scheme are summarised in the section “Statutory and General Information — Other information — 14. Share Option Scheme” in Appendix IV to this prospectus.

GENERAL MANDATE

Our Directors have been granted a general unconditional mandate to allot, issue and deal with Shares with an aggregate nominal value not exceeding the sum of (a) 20% of the aggregate nominal value of the share capital of our Company in issue as enlarged by the Capitalization Issue and the Placing (but excluding any Share which may be issued pursuant to the exercise of the Offer Size Adjustment Option); and (b) the aggregate nominal value of the share capital of our Company which may be repurchased by our Company pursuant to the general mandate to repurchase Shares granted to the Directors referred to below.

SHARE CAPITAL

The Directors may, in addition to the Shares which they are authorised to issue under this issuing mandate, allot, issue and deal in the Shares pursuant to a rights issue, an issue of Shares pursuant to the exercise of subscription rights attaching to any warrants or convertible securities of our Company, scrip dividends or similar arrangements or the exercise of options which may be granted under the Share Option Scheme. The aggregate nominal value of the Shares which the Directors are authorised to allot and issue under the issuing mandate will not be reduced by the allotment and issue of such Shares.

This issuing mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or
- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details of this general mandate, please see the section "Statutory and General Information — Further information about our Group — 3. Resolutions of the Shareholders" in Appendix IV to this prospectus.

REPURCHASE MANDATE

Our Directors have been granted a general unconditional mandate to exercise all of the powers of our Company to repurchase Shares with an aggregate nominal value of not more than 10% of the aggregate nominal amount of the share capital of our Company in issue, as enlarged by the Capitalization Issue and the Placing (but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option).

This repurchase 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 recognised by the SFC and the Stock Exchange for this purpose), and which are made in accordance with all applicable laws and the requirements of the GEM Listing Rules. Further information required by the Stock Exchange to be included in this prospectus regarding the repurchase of Shares is set out in the paragraph headed "Further information about our Group — 6. Securities repurchase mandate" in Appendix IV to this prospectus.

This repurchase mandate will expire:

- (i) at the conclusion of our Company's next annual general meeting; or
- (ii) upon the expiry of the period within which our Company is required by any applicable law or the Articles of Association to hold its next annual general meeting; or

SHARE CAPITAL

- (iii) when varied, revoked or renewed by an ordinary resolution of the Shareholders in general meeting,

whichever occurs first.

For further details about this repurchase mandate, please see the paragraph headed “Further information about our Group — 3. Resolutions of the Shareholders” in Appendix IV to this prospectus.

CIRCUMSTANCES UNDER WHICH GENERAL MEETING AND CLASS MEETING ARE REQUIRED

Our Company has only one class of shares, namely ordinary shares, each of which ranks *pari passu* with the other shares.

Pursuant to the Cayman Islands Company Law and the Memorandum of Association and the Articles of Association, 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. In addition, our Company may, subject to sanction by the courts in the Cayman Islands, reduce its share capital by shareholders’ special resolution. For more details, please see Appendix III to this prospectus.

Pursuant to the Cayman Islands Company Law and the terms of the Memorandum of Association and the Articles of Association, all or any of the special rights attached to the Share or any class of Shares (unless otherwise provided for in the terms of issue of the Shares of that class) 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 Appendix III to this prospectus.

FINANCIAL INFORMATION

You should read the following discussion and analysis in conjunction with our audited combined financial statements, including the notes thereto, as included in the Accountants' Report set out in Appendix I to this prospectus (the "Financial Information"). Our Financial Information has been prepared in accordance with HKFRSs. You should read the entire Accountants' Report and not merely rely on the information contained in this section.

The following discussion and analysis contain certain forward-looking statements that reflect the current views with respect to future events and financial performance. These statements are based on assumptions and analyses made by us in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, whether actual outcomes and developments will meet our expectations and projections depends on a number of risks and uncertainties over which we do not have control. For further information, please refer to the sections headed "Forward-looking statements" and "Risk factors" in this prospectus.

OVERVIEW

We are an integrated game developer, operator and publisher focusing in the market of Hong Kong and Taiwan. Starting from our Predecessor Gameone Interactive.com Inc. and its subsidiaries, we engaged in the game industry for over 10 years and have grown rapidly during the Track Record Period. Our revenue for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were approximately HK\$68.8 million, HK\$78.7 million and HK\$69.4 million, respectively. Approximately 97.4%, 98.1% and 99.0% of the revenue for the respective periods were contributed by income generated from game operation and publishing.

Our game portfolio includes mobile games, online PC games and web games. As at the Latest Practicable Date, our game portfolio includes 17 mobile games, 13 online PC games and one web game. Among these games, six were self-developed games, one was a co-developed game, 12 were licensed games and 12 were games for publishing. During the Track Record Period, we offered one co-developed game, namely *The Ravages of Time — Battle** (火鳳燎原大戰) which was launched since May 2014.

Currently, we strategically focus on mobile games. Our revenue from mobile games were approximately HK\$16.3 million, HK\$41.6 million and HK\$58.3 million for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively, representing approximately 23.7%, 52.8% and 84.0% of our revenue during the same period. We plan to continue to focus on mobile game business, including self/co-developed and licensed games, going forward. We expect the revenue contribution from mobile games will continue to increase and our future financial performance will depend on the success of our mobile game business.

We strategically focus on those games based on popular literatures, comics and animations. Our Directors believe it can maximize the market recognition and receptiveness at a reduced marketing costs, attracting readers of these popular literatures, comics and animations, being our target game players, to try and play these games. For the year ended 31 December 2013 and 2014, and the six months ended 30 June 2015, a number of our games (including the top five games for respective years/periods) were games based on popular literatures, comics or animations including, *Demi-Gods*

FINANCIAL INFORMATION

and *Semi-Devils** (天龍八部) and *The Ravages of Time** (火鳳燎原). Revenue generated by those games based on popular comics and animations (including self/co-developed games, licensed games and games for publishing) for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, were approximately HK\$38.3 million, HK\$36.8 million and HK\$49.4 million respectively representing approximately 55.6%, 46.7% and 71.1% of our revenue during the same period.

As our Directors believe that an attractive theme and storyline are crucial to monetize game operation. During the Track Record Period and up to the Latest Practicable Date, by leveraging the experience and networks of our management in the game industry, we have successfully secured rights to, inter alia, adopt seven popular literatures, comics and animations, including, *Sea Tiger** (海虎), *The Ice Fantasy** (幻城), *The Storm Riders** (風雲) and *The Ravages of Time** (火鳳燎原) into games.

We generally utilise these rights to self/co-develop games. Also we may sub-license these rights to other third-party developers to develop a new game in return for sub-license fees and/or the first right of refusal to operate the resultant game. Our Directors believe that this practice can provide commercial flexibility in our operations and reduce our risk in game development. Amongst games based on popular literatures, comics and animations, more than eight of the games launched during the Track Record Period were based on development rights held by us. These games were either self/co-developed, or sub-licensed to third-party game developers, and contributed approximately HK\$15.5 million, HK\$23.9 million and HK\$13.9 million or approximately 22.5%, 30.3% and 20.0% of our revenue for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respectively.

Our roles can be divided into three major categories, namely (i) game developer, (ii) game operator and (iii) game publisher.

The following table briefly outlines our role and our major types of revenue:

Our Role	Revenue Source	Revenue Type	Our Customers
Game Developer	Licensing of development rights to game developers and/or self/co-developed games to third-party game operators	Royalty and license fee income received from licensed game operators/game developers	Licensed game operator/game developers
Game Operator	Operating self/co-developed games and games licensed from game developers/operators	Game operation income derived from game players	Game players
Game Publisher	Games for publishing on our platform and/or other third-party platforms under our coordination	Game publishing income derived from game developers/operators	Game developers/operators

FINANCIAL INFORMATION

During the Track Record Period, our revenue are substantially derived from operating self/co-developed games and licensed games. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, revenue generated from operating self/co-developed games and licensed games amounted to approximately HK\$64.6 million, HK\$74.6 million and HK\$68.1 million, respectively, representing approximately 93.9%, 94.8% and 98.1% of our revenue for the respective periods.

For the two years ended 31 December 2013 and 2014, our gross profit amounted to approximately HK\$29.7 million and HK\$34.2 million, respectively, representing an increase of approximately 15.2%; and our net loss and net profit for the respective years amounted to approximately HK\$9.6 million and HK\$7.0 million, representing an increase of approximately 172.9%.

For the six months ended 30 June 2014 and 2015, our gross profit amounted to approximately HK\$18.6 million and HK\$34.5 million, respectively, representing an increase of approximately 85.5%; and our net profits for the respective periods amounted to approximately HK\$6.1 million and HK\$10.4 million, respectively, representing an increase of approximately 70.5%.

SIGNIFICANT FACTORS AFFECTING OUR RESULTS OF OPERATIONS

Our results of operations have been, and are expected to be, affected by a number of the following factors, including factors generally affecting our industry and factors specifically affecting our operations.

General development of game industry and emergence of new technologies

New technologies have had and will continue to have significant impact on business, communications and many other aspects of peoples' lives. This is particularly true in game industry which is largely characterised by the changes in technologies and the acceptance by the public. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, we derived approximately 73.7%, 45.3% and 15.0% of our revenue from online PC games and web games in respective periods. However, new mobile technology has materially changed the way people play games. In order to align ourselves with this trend, we have shifted our strategic focus from online PC games and web games to mobile games throughout the Track Record Period. As a result, the percentage of revenue generated from mobile games increased from approximately 23.7% in the year ended 31 December 2013 to approximately 52.8% in the year ended 31 December 2014, and further increased to approximately 84.0% in the six months ended 30 June 2015.

Any changes in trends and technology advancement may render our games obsolete and/or unattractive to existing and new game players. In the event of the same, our ability to maintain our competitiveness in our industry will materially and adversely affect our results of operations and financial position.

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A majority portion of our revenue is contributed by the game operation income from licensed game. If we are unable to maintain stable business relationship with our third-party game developers/operators, or if we cannot extend licenses for our existing licensed games or introduce new licensed games, our results of operations and business prospects could be materially and adversely affected.

For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our game operation income from licensed games accounted for approximately 70.6%, 65.3% and 78.3% of our revenue, respectively. Our game operation income from licensed games was based on license agreements agreed with our third-party game developers/operators. Our third-party game developers/operators may terminate the license arrangements with us in accordance with the provisions of the license agreements or elect not to renew the written agreements upon expiry.

There can be no assurance that we are able to maintain business relationships with our third-party game developers/operators. If we cannot extend licenses for our existing licensed games or introduce new high-quality games from our third-party game developers/operators, our results of operations, financial conditions and business prospects could be materially and adversely affected.

Our game operation income from our self/co-developed games is an important component of our business. If we are unable to effectively market the in-game virtual items of our self/co-developed games, or if we cannot provide updates and upgrades for our self/co-developed games to extend the life cycle of our self/co-developed games, our results of operations and business prospects could be materially and adversely affected.

Our self/co-developed games are offered on a free-to-play basis. Our game operation income from our self/co-developed games is primarily derived from the sales of in-game virtual items that enable our game players to enhance their in-game experience. Our game operation income from our self/co-developed games is an important component of our business. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our game operation income from our self/co-developed games accounted for approximately 23.3%, 29.5% and 19.8% of our revenue, respectively. Our game operation income from our self/co-developed games would depend on our ability to attract players to play our game, and more importantly, to purchase in-game virtual items.

There is a risk that we may not be able to effectively market the in-game virtual items, or fail to create in-game virtual items that are attractive or useful to our players or properly priced. Should we fail to develop/co-develop games or provide game updates and upgrades for our self/co-developed games, our results of operations, financial conditions and business prospects could be materially and adversely affected.

FINANCIAL INFORMATION

A small number of games have contributed a majority of our revenue, and we must continue to launch games that attract and retain a significant number of players in order to grow our revenue and sustain our competitive position.

A small number of games have contributed a majority of our revenue during the Track Record Period. Our top five highest revenue generating games in each reporting period contributed approximately 80.0%, 75.4% and 80.3% of our revenue in the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively. As a result, our growth depends largely on our ability to consistently develop and/or launch new games and achieve significant popularity, which requires significant time and resources for development and/or marketing.

It is difficult to consistently anticipate player demand on a large scale. Furthermore, the launch timing of our new games has a significant impact on the performance and popularity of these games. If our new games are launched at the same time as other similar types of games developed by third parties, the competition may make it difficult to attract new players to our new games and our distribution and publishing partners may also commit fewer resources to promoting our games. If we do not successfully develop and/or launch games that attract and retain a significant number of players or launch new games during a favourable market condition, our results of operations, financial condition and prospects may be materially and adversely affected.

We may not be able to maintain a high gross profit margin in the future.

For the two years ended 31 December 2013 and 2014 and six months ended 30 June 2015, we have attained gross profit margins of approximately 43.1% 43.4% and 49.7%, respectively.

There is no assurance that games that historically contributed high levels of revenue and gross profit margin will continue to do so in the future. Furthermore, we cannot assure that we will continue to maintain our current gross profit margin if our cost of services rendered increases as a result of, amongst other factors, an increase in service fees charged by our suppliers, including channel fees and royalty expenses. In addition, there is no assurance that our strategy to focus on development of mobile games will succeed if we are unable to recruit sufficient number of qualified and suitable staff.

Our intangible assets are one of the principal components of our total assets. If the game operated by us are not well anticipated by our game players and cease operation before their expected game life or agreed term of license agreement, the impairments to be made on our intangible assets would materially and adversely affect our results of operations, financial conditions and business prospects.

Our intangible assets, which were primarily made up of the license fees paid to third-party game developers/operators for our licensed games to operate in Hong Kong and/or Taiwan, accounted for approximately 18.1%, 25.3% and 21.4% of our total assets as at 31 December 2013 and 2014 and 30 June 2015, respectively. Our results of operations have been, and will continue to be, affected by the impairments on our intangible assets which was made when our Directors are of the view that some of self/co-developed games and licensed games could not achieve the expected level of paying players since the launch of games. The impairments on our intangible assets of approximately HK\$10.6 million, HK\$0.4 million and nil recognised in the two years ended 31 December 2013 and 2014 and

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the six months ended 30 June 2015, respectively, were primarily attributable to the cessation of certain online PC games and web games during the years as a result of the shift of our strategic focus from online PC games and web games to mobile games to align ourselves with the market trend of the game industry in Hong Kong and Taiwan. Our net profit would therefore be subject to the impairments on our intangible assets which were primarily subject to the expected profitability and popularity of our games.

There can be no assurance that we are able to self/co-develop or obtain licensed games that gain significant popularity. If the games operated by us are not well anticipated by our game players and cease the operation before their expected game life or agreed term of license agreement, the impairments to be made on our intangible assets would materially and adversely affect our results of operations, financial conditions and business prospects.

BASIS OF PRESENTATION

Pursuant to the Reorganization as more fully described in the section headed “History, Reorganization and Structure of our Group” and “Statutory and General Information” set out in Appendix IV to this prospectus, our Company became the holding company of all our companies now comprising our Group on 23 December 2015. As the Reorganization mainly involved inserting certain investment holding companies on top of the existing companies and has not resulted in any change of economic substances, our Financial Information has been presented on a combined basis by applying the principle of merger accounting as if the Reorganization had been completed at the beginning of the Track Record Period.

Our Directors are of the view that ongameshow.com is engaged in the publishing of the printed versions of game magazine PC Game Weekly and comics (the “**Excluded Business**”), which are not related to the principal business of our Group and operated and financed separately, they are excluded in the Listing. Since the Excluded Business operated separately and maintained separate books and records, its income, expenses, assets and liabilities during the Track Record Period have been excluded in the Financial Information. All significant transactions and balances with the Excluded Business have been disclosed in our Financial Information. The consideration for the transfer of ongameshow.com was determined based on the share capital acquired by Mr. Sze and the consideration was settled by cash on 25 September 2015. Investment cost in ongameshow.com of approximately HK\$1 will be treated as repayment of capital in the capital reserve. ongameshow.com has been disposed of by the Group on 25 September 2015 in pursuant to the Reorganization.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of our Group have been prepared to present the results, changes in equity and cash flows of our Company and our subsidiaries as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of our Group as at 31 December 2013 and 2014 and 30 June 2015 have been prepared to present the assets and liabilities of our Company and our subsidiaries as if the current group structure had been in existence at those dates.

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The assets and liabilities of the companies comprising our Group are combined using the existing book values. No amount is recognised as consideration of goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

All significant intra-group balances, transactions and unrealised gains transactions have been eliminated.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Financial Information as included in the Accountants' Report set out in Appendix I to this prospectus has been prepared in accordance with the basis of presentation in the above paragraph of this section and the accounting policies which conform to HKFRSs issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The Financial Information has been prepared under the historical cost basis. It also requires our Directors to make judgments, estimates and assumptions concerning the future. The judgments, estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The actual results may differ from these estimates.

We have identified certain accounting policies and estimates that we believe are the most critical to the preparation of our combined financial statements and the understanding of our results of operations and financial position. Our critical accounting policies and estimates are set out in details in notes 3 and 4, respectively, to the Accountants' Report set out in Appendix I to this prospectus.

Revenue

Revenue is recognised when (i) it is probable that future economic benefits will flow to our Group; (ii) the revenue can be reliably measured and (iii) specific criteria have been met for each of the following revenue types. Revenue is recorded at the fair value of consideration received or receivable, net of any sales related tax and discounts.

Game operation income

Our game operation income is contributed by the self/co-developed games and licensed games operated by us.

Our self/co-developed games and licensed games are offered on a free-to-play basis. Our game players can purchase in-game currencies for acquisition of in-game virtual items or purchase those virtual items directly for better in-game experience. Upon the sales of in-game currencies or in-game virtual items, we typically have an implied obligation to provide the services which enable the in-game currencies or in-game virtual items to be displayed, used or converted into other in-game virtual items. As a result, the proceeds received from sales of in-game currencies or in-game virtual

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items are initially recorded in deferred income as our current liabilities on the combined statements of financial position. The attributable portion of the deferred income relating to values of the in-game currencies consumed and in-game virtual items converted would be immediately or rateably recognised as revenue only when the services are rendered to our game players.

For the purposes of determining when services have been provided to our game players and proceeds from sales of in-game currencies or in-game virtual items are recognised as our revenue, we have determined the following:

Consumable in-game virtual items represent items that are extinguished after consumption by a specific game player action. Our game players will not be continued to benefit from the in-game virtual items thereafter. Revenue is recognised and released from deferred income once the consumable in-game virtual items are consumed and the related services are rendered.

Durable in-game virtual items represent items that are accessible and beneficial to our game players over an extended period of time. Revenue is recognised rateably over the average life of durable in-game virtual items for the applicable game, which our Directors would make best estimates to be average playing period of Paying Players (the “**Player Relationship Period**”).

Our Directors would estimate the Player Relationship Period on a game-by-game basis and re-assesses such periods semi-annually. The Player Relationship Period of a game is the average playing days of the Paying Players of the game over a period of time. The estimated playing days of a Paying Player of a game is determined from the first time when the Paying Player purchased game credits in the account or purchased in-game virtual items directly to the last time this Paying Player played the game or recharge the account with additional game credits or purchased additional in-game virtual items over a period of time, which are based on data obtainable from game servers or game distribution platforms. For a newly launched game, we would estimate the Player Relationship Period based on other similar types of games developed by us or by other third party game developers until the new game establishes its own patterns and history, which is normally up to 6-12 months after launch depending on the type of the game.

For games of which we did not possess relevant data and information to differentiate revenue attributable to consumable and durable in-game virtual items, the sales of in-game virtual currencies would be deferred and recognised as revenue rateably over the expected Player Relationship Period of the specific game.

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The following table sets out a breakdown of the Player Relationship Period of our top five games for the periods indicated:

Name of the top five games	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	(Days)	(Days)	(Days)	(Days)
<i>Game B</i>	68	95	77	95
<i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版)	66	160	112	194
<i>Game C</i>	N/A	N/A	N/A	52
<i>Demi-Gods and Semi-Devils (Online)*</i> (天龍八部Online)	202	213	204	217
<i>Dark of Three Ancient Kingdoms Online*</i> (闇三國Online)	115	158	140	176
<i>Age of Wushu (Online)*</i> (九陰真經Online)	35	51	44	55
<i>The Ravages of Time — Battle*</i> (火鳳燎原大戰)	N/A	57	24	93
<i>SEGA Soccer League*</i> (SEGA 創造球會)	N/A	68	N/A	110
<i>Demi-Gods and Semi-Devils 3D*</i> (天龍八部3D)	N/A	N/A	N/A	20

Our Directors have further evaluated the respective roles and responsibility of our Group in the operation of our self/co-developed games and licensed games and concluded that we have the primary responsibility for operation of these games as we are responsible for delivery of game experiences to our game players, including the marketing and promotion, determining distribution platforms and payment channels, hosting game servers and providing customer services. In addition, we also control game and service specifications and pricing of the in-game virtual items of our self/co-developed games. As our Directors are of the view that our Group has exposure to the significant risks and rewards in delivery of game experiences to our game players and acts as the principal role in the operation of our self/co-developed games and licensed games, we recognise the game operation income on a gross basis (i.e. without netting off the royalty expenses made to third-party game developers/operators and grantors) in the combined statements of profit or loss and other comprehensive income. The royalty expenses made to third-party game developers/operators and grantors and channel fees charged by third party distribution platforms and third party payment channels are recorded as our cost of services rendered in the combined statements of profit or loss and other comprehensive income.

Game publishing income

Our game publishing income is derived from the provision of game publishing and/or payment collection services to third-party game developers/operators through our game distribution platforms or other third-party distribution platforms. Our game publishing income is pre-determined in accordance to the relevant terms of the game distribution agreements entered into between our Group and our third party game developers/operators.

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Our Directors have evaluated the respective roles and responsibilities of our Group and our third-party game developers/operators in our game distribution agreements and concluded that our third-party game developers/operators have the primary responsibility for the operation of these games as they are responsible for hosting and maintaining servers for game operation, and regular provision of game updates and upgrades, and therefore have exposure to the significant risks and rewards associated with the operation of these games. Our Group is responsible for promoting and publishing games and providing game players with access to our game distribution platforms. As our Directors are of the view that our Group merely acts as an agent of our third-party game developers/operators for games publishing, we recognise the game publishing income on a net basis (i.e. with the royalty expenses with our third-party game developers/operators netted off).

License fee and royalty income

Our license fee and royalty income are derived from licensing our self/co-developed games to third-party game operators and sub-licensing development rights to popular literature titles such as comics and novels to game developers. We receive the fixed license fee upon signing the license agreements. License fee income will be recognised as our revenue on a straight-line basis over the period of license agreements. Royalty income is recognised in accordance with the terms of license agreements.

Intangible assets

Acquired intangible assets

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over the term of licence agreements, which generally ranges from 2 to 4 years. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in cost of services rendered.

Internally generated intangible assets

Expenditure on internally generated intangible assets (i.e. self/co-developed games) are capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be used or sold;
- adequate resources are available to complete the development;
- there is an intention to complete and use or sell the product;
- our Group is able to use or sell the product;

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- use or sale of the product will generate future economic benefits; and
- expenditure on the project can be measured reliably.

Capitalized development costs are amortised over the periods our Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of services rendered.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

Impairment of intangible assets

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired.

Impairment of non-financial assets

At the end of each reporting period, our Group reviews the carrying amounts of the non-financial assets, which include property, plant and equipment, intangible assets with finite lives, investment in a subsidiary and interests in joint venture, to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased.

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately. Both the computation of fair value less costs to sell and value in use are based on our Directors' estimates and judgment on key parameters which include observable market prices of similar assets, expected future cash flows and discount rate.

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Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Financial assets

Our Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services (trade debtors), and also incorporate other types of contractual monetary assets.

Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

Impairment loss on financial assets

Our Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganization.

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For loans and receivables, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

Financial liabilities

Our Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related companies, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

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RESULTS OF OPERATIONS

The following table sets out our combined statements of profit or loss and other comprehensive income for the two years ended 31 December 2013 and 2014, and for the six months ended 30 June 2014 and 2015, which are included in the Accountants' Report as set out in Appendix I to this prospectus.

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue	68,833	78,668	37,332	69,425
Cost of services rendered	<u>(39,134)</u>	<u>(44,501)</u>	<u>(18,720)</u>	<u>(34,897)</u>
Gross profit	29,699	34,167	18,612	34,528
Other income	336	1,103	909	81
Selling expenses	(11,962)	(13,269)	(4,814)	(10,362)
Administrative expenses	(12,150)	(11,310)	(6,632)	(10,754)
Other expenses	<u>(14,215)</u>	<u>(616)</u>	<u>(133)</u>	<u>(22)</u>
Operating (loss) / profit	(8,292)	10,075	7,942	13,471
Loss on disposal of joint ventures	(44)	—	—	—
Share of results of joint ventures	<u>(228)</u>	<u>—</u>	<u>—</u>	<u>—</u>
(Loss) / profit before income tax	(8,564)	10,075	7,942	13,471
Income tax expense	<u>(1,027)</u>	<u>(3,030)</u>	<u>(1,857)</u>	<u>(3,070)</u>
(Loss) / profit for the year / period	<u>(9,591)</u>	<u>7,045</u>	<u>6,085</u>	<u>10,401</u>
Other comprehensive income				
<i>Item that will not be reclassified to profit or loss</i>				
Exchange difference upon disposal of joint ventures	44	—	—	—
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange difference on translation of financial statements of foreign operations	<u>(207)</u>	<u>644</u>	<u>241</u>	<u>(357)</u>
Other comprehensive income for the year / period	<u>(163)</u>	<u>644</u>	<u>241</u>	<u>(357)</u>
Total comprehensive income for the year / period attributable to owners of the Company	<u><u>(9,754)</u></u>	<u><u>7,689</u></u>	<u><u>6,326</u></u>	<u><u>10,044</u></u>

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DESCRIPTION OF SELECTED COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ITEMS

Revenue

The following table sets out a breakdown of our revenue by its type in absolute amounts and as percentage of our revenue for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Game operation income								
- Self/co-developed games	16,023	23.3	23,238	29.5	12,550	33.6	13,768	19.8
- Licensed games	48,621	70.6	51,351	65.3	21,423	57.4	54,334	78.3
Game publishing income								
- Games for publishing	2,420	3.5	2,610	3.3	2,327	6.2	608	0.9
Income from game operation and publishing	67,064	97.4	77,199	98.1	36,300	97.2	68,710	99.0
Royalty income	1,769	2.6	1,054	1.4	973	2.6	81	0.1
License fee income	—	—	415	0.5	59	0.2	634	0.9
Total Revenue	68,833	100.0	78,668	100.0	37,332	100.0	69,425	100.0

The following table also outlines details of our roles, customers and revenue sources of respective revenue types during the Track Record Period:

Revenue Types	Our Roles	Our Customers	Revenue Sources
Game operation income derived from game players	Game Operator	Game players	Operating self/co-developed games and games licensed from third-party developers/operators
Game publishing income derived from game developers/operators	Game Publisher	Game developers/operators	Third-party games for publishing on our platform and/or other third-party platforms under our coordination
Royalty and license fee income received from licensed game operators/game developers	Game Developer	Licensed game operators/game developers	Licensing of development rights to game developers and/or self/co-developed games to third-party game operators

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During the Track Record Period, a substantial portion of our revenue was derived from operation and publication of our game portfolio. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, income from game operation and publishing accounted for approximately 97.4%, 98.1%, 97.2% and 99.0% of our revenue in respective periods.

Game operation income

Our game operation income, which is one of our principal components of our business during the Track Record Period, accounted for approximately 93.9%, 94.8%, 91.0% and 98.1% of our revenue for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

Our game operation income is derived from the operation of our self/co-developed games and licensed games from which our game players purchase in-game currencies and/or in-game virtual items to enhance their in-game experience. As we assume a principal role in the operation of our self/co-developed games and licensed games in the delivery of game experiences to our game players, we recognise our game operation income on a gross basis. The royalty expenses, which were primarily the sharing of the net monthly cash received from operating licensed games and paid to our third-party game developers/operators, will be recorded as our cost of services rendered.

Game publishing income

Our game publishing income accounted for approximately 3.5%, 3.3%, 6.2% and 0.9% of our revenue for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

Our game publishing income is derived from the provision of game publishing and/or payment collection services to third-party game developers/operators through our game distribution platforms or other third-party distribution platforms. As we merely act as an agent of third-party game developers/operators for the game publishing, we recognise our game publishing income on a net basis, with the royalty expenses with our third-party game developers/operators netted off.

For further details on the role and responsibility of our Group in game operation and game publishing and the respective revenue recognition basis of these two revenue types, please refer to the paragraph headed “Critical accounting policies and estimates” under this section.

License fee and royalty income

Our license fee and royalty income only accounted for approximately 2.6%, 1.9%, 2.8% and 1.0% of our revenue for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

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Our royalty income are primarily derived from licensing our self/co-developed games to third-party game operators which are generally granted the exclusive and/or non-exclusive rights to operate, publish, and promote a specific self/co-developed game within an agreed period and in designated geographical regions other than Hong Kong and Taiwan, such as the PRC. Our royalty income, which was computed based on a percentage from approximately 16.0% to 28.0% of net monthly cash received from the sale of platform credits or in-game currencies within our games to the game players, was recognised in accordance with the terms of the licensing agreement with our third-party game operators. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, our royalty income of approximately HK\$1.8 million, HK\$1.1 million and HK\$81,000 was derived from licensing one, three and two self/co-developed games to third party game operators.

We also derive our license fee income from sub-licensing development rights to popular literature titles such as comics and novels to game developers during the Track Record Period. Such the license fee income would be recognised as our revenue on a straight-line basis over the period of license agreement.

The following sets forth the revenue analysis by game forms, top five games and geographical markets during the Track Record Period:

Revenue by game forms

We offered our games in three forms: mobile games, online PC games and web games. The following table sets out a revenue breakdown by game forms in absolute amounts and as percentage of our revenue for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Mobile games	16,341	23.7	41,551	52.8	14,031	37.6	58,309	84.0
Online PC games	48,480	70.4	34,698	44.1	22,094	59.2	10,206	14.7
Web games	2,243	3.3	950	1.2	175	0.4	195	0.3
Income from game operation and publishing	67,064	97.4	77,199	98.1	36,300	97.2	68,710	99.0
License fee and royalty income	1,769	2.6	1,469	1.9	1,032	2.8	715	1.0
Total Revenue	68,833	100.0	78,668	100.0	37,332	100.0	69,425	100.0

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To align ourselves with the market trend of the game industry in Hong Kong and Taiwan, we have shifted our strategic focus from online PC games and web games to mobile games throughout the Track Record Period. With more mobile games and less online PC games and web games operated and/or published by us throughout the Track Record Period, there was an overall increase in revenue contribution from our mobile games and an overall decrease in revenue contribution from our online PC games and web games. Our Directors expect that the percentage of revenue contributed from our mobile games will continue to increase in the foreseeable future.

Revenue by top five games

During the Track Record Period, we have offered over 60 games in different game forms. Certain of our key games have contributed a majority of our revenue during the Track Record Period. Our top five highest revenue generating games in each reporting period generated an aggregate of approximately 80.0%, 75.4%, 82.4% and 80.3% of our revenue in the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, respectively.

The following table sets out a revenue breakdown by our top five games in absolute amounts and as percentage of our revenue for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Game B ⁽³⁾⁽⁵⁾	4,762	6.9	704	0.9	490	1.3	83	0.1
The Ravages of Time* (mobile version) (火鳳燎原手機版) ⁽³⁾⁽⁵⁾	9,804	14.2	16,766	21.3	10,228	27.4	7,702	11.1
Game C ⁽³⁾⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A	4,412	6.4
Demi-Gods and Semi-Devils (Online)* (天龍八部 Online) ⁽⁴⁾⁽⁶⁾	17,200	25.0	16,259	20.7	10,160	27.2	5,533	8.0
Dark of Three Ancient Kingdoms Online* (闇三國 Online) ⁽⁴⁾⁽⁶⁾	3,586	5.2	2,890	3.7	1,628	4.4	1,138	1.6
Age of Wushu* (Online) (九陰真經 Online) ⁽⁴⁾⁽⁶⁾	19,747	28.7	12,020	15.3	7,084	19.0	2,849	4.1
The Ravages of Time — Battle* (火鳳燎原大戰) ⁽³⁾⁽⁵⁾	N/A	N/A	5,500	7.0	1,635	4.4	1,081	1.6
SEGA Soccer League* (SEGA 創造球會) ⁽⁴⁾⁽⁵⁾	N/A	N/A	8,764	11.1	N/A	N/A	5,646	8.1
Demi-Gods and Semi-Devils 3D* (天龍八部 3D) ⁽⁴⁾⁽⁵⁾	N/A	N/A	N/A	N/A	N/A	N/A	32,393	46.7
Top Five Subtotal¹	55,099	80.0	59,309	75.4	30,735	82.4	55,686	80.3
Other games ²	11,965	17.4	17,890	22.7	5,565	14.8	13,024	18.7
Income from game operation and publishing	67,064	97.4	77,199	98.1	36,300	97.2	68,710	99.0
License fee and royalty income	1,769	2.6	1,469	1.9	1,032	2.8	715	1.0
Total Revenue	68,833	100.0	78,668	100.0	37,332	100.0	69,425	100.0

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Notes:

1. Revenue of the top five highest revenue generating games in each reporting period during the Track Record Period is highlighted in grey.
2. These include games that are operated or published by us through our game distribution platforms or other third-party distribution platforms. Some of the examples include (i) *My Cutest Princess** (我家公主最可愛), a licensed mobile game launched in September 2014, which contributed revenue of approximately HK\$4.5 million and HK\$4.2 million for the year ended 31 December 2014 and six months ended 30 June 2015, respectively; (ii) *SD Gundam Online** (SD 高達Online), a game for publishing in June 2009, which contributed net revenue of approximately HK\$1.6 million, HK\$0.9 million and HK\$0.2 million for the two years ended 31 December 2013 and 2014, and six months ended 30 June 2015, respectively; and (iii) *Sea Tiger** (海虎一百萬匹), a self-developed mobile game launched in June 2015 and contributed revenue of approximately HK\$0.4 million for the six months ended 30 June 2015. *SD Gundam Online** (SD 高達 Online) subsequently phased out in the end of July 2015.
3. These are self/co-developed games.
4. These are licensed games.
5. These are mobile games.
6. These are online PC games.

Revenue by geographical markets

The following table sets out a revenue breakdown by geographical markets based on the location at which the services are provided in absolute amounts and as a percentage of our revenue for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
By geographical markets								
Hong Kong	58,217	84.6	66,908	85.1	31,645	84.8	63,404	91.3
Taiwan	9,013	13.1	10,759	13.7	4,714	12.6	5,826	8.4
Others	1,603	2.3	1,001	1.2	973	2.6	195	0.3
Total Revenue	68,833	100.0	78,668	100.0	37,332	100.0	69,425	100.0

A substantial portion of our revenue was contributed from Hong Kong and Taiwan markets during the Track Record Period, accounting for approximately 97.7%, 98.8%, 97.4% and 99.7% of our revenue in the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014

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and 2015, respectively. The substantial portion of our revenue contributed from Hong Kong and Taiwan markets was primarily attributable to the income from game operation and publishing in both geographical markets. We also derived revenue from other market which was primarily attributable to the licensing of our self/co-developed games to third-party game operators in PRC.

Our Directors expect that the revenue contribution from Taiwan market will be lower in foreseeable future due to (i) weaker effect from the same effort of marketing campaign in Taiwan market as compared to that in Hong Kong market as a result of intensive competition in Taiwan; and (ii) some of our games in pipeline only licensed to operate in Hong Kong and Macau.

Average MPU and ARPPU of our top five games

The average MPU and ARPPU of a specific game are the two factors that affect the revenue of such game. Our ARPPU of a specific game was calculated by dividing our average monthly revenue generated from a specific game in a specific period by the average MPU of a specific game in such period. The following table sets out the breakdown of our average MPU and ARPPU of our top five revenue generating games for the years/period indicated, or in such period from the commercialization of the games to the end of the periods indicated, which together contributes more than 75.0% of the revenue for the period:

Name of the top five game	For the year ended 31 December		For the six months ended
	2013	2014	30 June 2015
<i>Average MPUs (i.e. total MPU of the period/number of months in that period)</i>			
<i>Game B</i>	834	99	43
<i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版)	1,054	768	556
<i>Game C</i>	N/A	N/A	765
<i>Demi-Gods and Semi-Devils (Online)*</i> (天龍八部Online)	1,666	996	660
<i>Dark of Three Ancient Kingdoms Online*</i> (關三國Online)	1,042	649	404
<i>Age of Wushu (Online)*</i> (九陰真經Online)	3,984	977	595
<i>The Ravages of Time — Battle*</i> (火鳳燎原大戰)	N/A	755	207
<i>SEGA Soccer League*</i> (SEGA創造球會)	N/A	1,350	419
<i>Demi-Gods and Semi-Devils 3D*</i> (天龍八部3D)	N/A	N/A	4,510
<i>ARPPUs (i.e. Average monthly revenue for that game for the period/Average MPU for the period) (HK\$)</i>			
<i>Game B</i>	476.0	592.0	318.0
<i>The Ravages of Time (mobile version)*</i> (火鳳燎原手機版)	1,162.5	1,818.8	2,308.1
<i>Game C</i>	N/A	N/A	961.9
<i>Demi-Gods and Semi-Devils* (Online)</i> (天龍八部Online)	860.4	1,360.2	1,397.5
<i>Dark of Three Ancient Kingdoms Online*</i> (關三國Online)	286.7	371.2	470.0
<i>Age of Wushu (Online)*</i> (九陰真經Online)	413.0	1,025.2	798.1

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Name of the top five game	For the year ended 31 December		For the six months ended
	2013	2014	30 June 2015
<i>The Ravages of Time — Battle*</i> (火鳳燎原大戰)	N/A	911.0	870.3
<i>SEGA Soccer League*</i> (SEGA創造球會)	N/A	1,082.0	2,243.9
<i>Demi-Gods and Semi-Devils 3D*</i> (天龍八部3D)	N/A	N/A	1,436.6

Notes:

- Revenue of the top five highest revenue generating games in each reporting period during the Track Record Period is highlighted in grey, which contributed over 75.0% of the revenue for each of the respective periods.
- We have also launched more than 50 games other than abovementioned nine games during the Track Record Period, including self/co-developed games, licensed games and games for publishing. However, due to the limited resources on storage and size of historical data, we only maintained the operating data, such as average MPU and ARPPU, for self/co-developed games and certain licensed games.

Cost of services rendered

Our cost of services rendered primarily consisted of royalty expenses, channel fees, amortisation of our intangible assets, salaries and employee benefits expenses and server rental and web services expenses. The following table sets out a breakdown of our cost of services rendered in absolute amounts and as percentage of our cost of services rendered for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Royalty expenses	15,188	38.8	17,564	39.5	7,918	42.3	14,788	42.4
Channel fees	3,943	10.1	10,157	22.8	3,205	17.1	11,291	32.4
Amortisation of intangible assets	6,748	17.3	5,172	11.6	2,696	14.4	3,478	10.0
Salaries and employee benefits expenses	6,575	16.8	6,781	15.2	2,741	14.6	3,080	8.8
Server rental and web services expenses	2,753	7.0	2,004	4.5	973	5.2	1,017	2.9
Others	3,927	10.0	2,823	6.4	1,187	6.4	1,243	3.5
Total	39,134	100.0	44,501	100.0	18,720	100.0	34,897	100.0

The royalty expenses, which were the sharing of the net monthly cash receipts with third-party game developers/operators and grantors for the operation of licensed games and self/co-developed games, accounted for the major component of our cost of services rendered during the Track Record Period.

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The channel fees were incurred for the services rendered by third party distribution platforms such as Google Play and App Store. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, channel fees contributed approximately 10.1%, 22.8%, 17.1% and 32.4% of our cost of services rendered, respectively. The growing proportion of our channel fees was primarily attributable to the increase in revenue contribution from our mobile games which were much more dependent on third party distribution platforms than that for online PC games and web games.

Salaries and employee benefits expenses mainly represented the costs we incurred for personnel responsible for game operations, customer services and research and development and other technical maintenance. Server rental and web services expenses were incurred for rental of servers and related telecommunications and bandwidth services charged by data centres. Others mainly represented the depreciation of servers owned by us and the outsourcing fees incurred for part of audio production of sound effects and background music for our self/co-developed games.

Gross profit and gross profit margin

Our gross profit was our revenue less cost of services rendered. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, our gross profits were approximately HK\$29.7 million, HK\$34.2 million, HK\$18.6 million and HK\$34.5 million, respectively, representing gross profit margins of approximately 43.1%, 43.4%, 49.9% and 49.7%, respectively.

Based on the best knowledge of our Directors, our Group's financial performance and results of operations were not driven by seasonal effect. As our gross profit was primarily generated from the game operation and publishing during the Track Record Period, the following sets forth the gross profit analysis by game ownership and game forms during the Track Record Period:

Gross profit analysis by game ownership

The following table sets out a breakdown of our gross profit and gross profit margin by game ownership for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	Gross profit margin	HK\$'000	Gross profit margin	HK\$'000 (Unaudited)	Gross profit margin	HK\$'000	Gross profit margin
Self/co-developed games	8,372	52.2%	10,590	45.6%	6,580	52.4%	8,579	62.3%
Licensed games	17,608	36.2%	19,729	38.4%	9,510	44.4%	24,726	45.5%
Games for publishing	1,951	80.6%	2,379	91.2%	1,489	64.0%	507	83.4%
Gross profit from game operation and publishing	27,931	41.6%	32,698	42.4%	17,579	48.4%	33,812	49.2%

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During the Track Record Period we have utilized two major channels in collecting proceeds from Players which included third-party payment vendors, e.g. convenience stores, and third-party distribution platforms, such as Apple Store and Google Play. With the evolving market trend from online PC games to mobile games throughout the Track Record Period, more services were rendered by third-party distribution platforms which charged a higher costs i.e. channel fee, when compared to that services rendered by third-party payment vendors.

Analysis of gross profit margin of self/co-developed games

The decrease in gross profit margin of self/co-developed games from approximately 52.2% in 2013 to approximately 45.6% in 2014 was primarily resulted from the increase in channel fees as a result of the operation and publishing of more self/co-developed mobile games in 2014 which were more dependent on services by third-party distribution platforms than that for online PC games and web games, such as services charge for Google Play (i.e. game players increase in purchase through Google Play/iOS directly).

The increase in gross profit margin of self/co-developed games from approximately 52.4% for the six months ended 30 June 2014 to approximately 62.3% for the six months ended 30 June 2015 was primarily resulted from i) the reduced proportion of certain overhead costs (i.e. server rental and web services) due to the reorganisation of resources on game server and web service; and ii) increase in revenue from self/co-developed games, especially from Game C which launched in the first half of 2015.

The gross profit margin of our self/co-developed games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the greater extent of the decrease in the revenue generated from our self/co-developed games in the second half of 2014 resulted from the shift of our promotion strategy to our licensed mobile games in the second half of 2014, as compared to the extent of decrease in costs for operation of our self/co-developed games.

Analysis of gross profit margin of licensed games

The increase in gross profit margin of licensed games from approximately 36.2% in 2013 to approximately 38.4% in 2014 was primarily resulted from the slight decrease in amortisation of intangible assets and server rental and web services expense of licensed games.

The increase in gross profit margin of licensed games from approximately 44.4% for the six months ended 30 June 2014 to approximately 45.5% for the six months ended 30 June 2015 was primarily resulted from i) the reduced proportion of certain overhead costs (i.e. server rental and web services) due to the reorganisation of resources on game server and web service; and ii) outperformance of one of our licensed game: Demi-Gods and Semi-Devils 3D* (天龍八部3D) in the first half of 2015.

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The gross profit margin of our licensed games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the effect of (i) more royalty expenses incurred in the second half of 2014 as a result of the launch of more licensed mobile games in the second half of 2014 than that in the first half of 2014; and (ii) the significant increase in channel fees as a result of the operation and publishing of more mobile games in the second half of 2014 which were more dependent on services by third-party distribution platforms than that for online PC games and web games, such as services charge for Google Play.

Analysis of gross profit margin of games for publishing

The increase in gross profit margin of games for publishing from approximately 80.6% in 2013 to approximately 91.2% in 2014 and approximately 64.0% for the six months ended 2014 to approximately 83.4% for the six months ended 2015 was due to more games share the customer service cost, thus decrease in staff cost of customer service and backup services.

Gross profit analysis by game forms

The following table sets out a breakdown of our gross profit and gross profit margin by game forms for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	Gross profit margin	HK\$'000	Gross profit margin	HK\$'000 (Unaudited)	Gross profit margin	HK\$'000	Gross profit margin
Mobile games	8,163	50.0%	16,748	40.4%	7,031	50.3%	29,441	50.5%
Online PC games	19,468	40.2%	15,647	45.0%	10,892	49.2%	4,586	44.9%
Web games	300	13.3%	303	31.9%	(344)	N/A	(215)	N/A
Gross profit from game operation and publishing	<u>27,931</u>	41.6%	<u>32,698</u>	42.4%	<u>17,579</u>	48.4%	<u>33,812</u>	49.2%

In the year ended 31 December 2013, the gross profit margin of mobile games was higher than that of online PC games primarily attributable to the fact that majority of mobile games in 2013 were mainly made up of self-developed games with no royalty expenses payable to game developers, while the online PC games in 2013 were primarily attributable to the licensed games which incurred royalty expenses payable to game developers.

In the year ended 31 December 2014, the gross profit margin of mobile games was lower than that of online PC games primarily attributable to significant increase in channel fees as a number of licensed mobile game (which were more dependent on services by third-party distribution platforms than that for online PC games and web games, e.g. Google Play) lunched in the second half of 2014.

In the six months ended 30 June 2015, the gross profit margin of mobile games was relatively higher than that of online PC games primarily attributable to i) the effect of sharing of fixed cost over the growing proportion of revenue contributed from mobile games during the period; and ii) outperformance of one of our licensed mobile game: Demi-Gods and Semi-Devils 3D *(天龍八部3D) in the first half of 2015.

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The following sets out the analysis of our gross profit margin of mobile games, online PC games and web games throughout the Track Record Period:

Analysis of gross profit margin of mobile games

The decrease in gross profit margin of mobile games from approximately 50.0% in 2013 to approximately 40.4% in 2014 was due to the fact that most of the revenue from mobile games recognised in 2013 were contributed from the self-developed games with no royalty expenses payable to game developer, and the revenue from mobile games recognised in 2014 were contributed from self-developed games and licensed games comparably. There was no significant fluctuation of gross profit margin of mobile games for the six months ended 30 June 2014 and 2015.

The gross profit margin of our mobile games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the significant increase in channel fees as a result of the operation and publishing of more mobile games in the second half of 2014 which were more dependent on services by third-party distribution platforms than that for online PC games and web games, such as services charge for Google Play.

Analysis of gross profit margin of online PC games

The increase in gross profit margin of online PC games from approximately 40.2% in 2013 to approximately 45.0% in 2014 was resulted from the shift of our focus to develop and operate more mobile game business and the termination of a number of unpopular online PC games which incurred higher costs for operating such game servers and related activities.

The decrease in gross profit margin of online PC games from approximately 49.2% for the six months ended 30 June 2014 to approximately 44.9% for the six months ended 30 June 2015 was resulted from the percentage of decrease in revenue of online PC games was much greater than decrease in cost, such as server rental and web services expense.

The gross profit margin of our online PC games in the first half of 2014 was relatively higher than that in the year ended 31 December 2014 primarily attributable to the effect of less revenue generated from our online PC games in the second half of 2014 than that generated in the first half of 2014 as a result of the evolving market trend with more game players shifting from online PC games to mobile games and the shift of our focus from online PC games to mobile games. Also, in the first half of 2014, we launched more promotion campaign to increase the popularity of our online PC games than in the second half of 2014, thus the revenue derived from online PC game decreased from approximately HK\$22.1 million in the first half of 2014 to approximately HK\$12.6 million in the second half of 2014.

Analysis of gross profit margin of web games

The increase in gross profit margin of web games from approximately 13.3% in 2013 to approximately 31.9% in 2014 as a result of the termination of two web games with low gross profit margin during the year ended 31 December 2014. The gross loss of web games for the six months ended 30 June 2014 and 2015 was due to a web games' suffer a loss and its revenue cannot cover its cost.

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Other income

Our other income consisted of exchange gains, interest income, income for game promotion, management fee income from onegameshow.com (a related company of our Group) and others. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, our other income accounted for approximately 0.5%, 1.4%, 2.4% and 0.1% of our revenue in respective periods. The following table sets out a breakdown of our other income in absolute amounts and as percentage of our other income for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Exchange gains	—	—	680	61.7	620	68.2	—	—
Interest income	10	3.0	7	0.6	4	0.4	2	2.5
Promotion income	23	6.8	117	10.6	78	8.6	—	—
Management fee income	—	—	108	9.8	36	4.0	72	88.9
Others	303	90.2	191	17.3	171	18.8	7	8.6
Total	336	100.0	1,103	100.0	909	100.0	81	100.0

Selling expenses

Our selling expenses consisted of marketing and promotion costs and salaries and employee benefits expenses. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, our selling expenses accounted for approximately 17.4%, 16.9%, 12.9% and 14.9% of our revenue in respective periods. The following table sets out a breakdown of our selling expenses in absolute amounts and as percentage of our selling expenses for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Marketing and promotion costs	7,739	64.7	9,531	71.8	3,298	68.5	8,490	81.9
Salaries and employee benefits expenses	4,223	35.3	3,738	28.2	1,516	31.5	1,872	18.1
Total	11,962	100.0	13,269	100.0	4,814	100.0	10,362	100.0

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The principal component of our selling expenses was marketing and promotion costs which were incurred for game promotion including online advertisement and in other media, and participation in various game exhibitions and expos. Salaries and employee benefits expenses mainly represented the costs we incurred for personnel responsible for marketing and promotion.

Administrative expenses

Our administrative expenses primarily consisted of listing expenses, salaries and employee benefits expenses, rent and rates, travelling and entertainment, legal and professional fees, depreciation and exchange losses. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, our administrative expenses accounted for approximately 17.7%, 14.4%, 17.8% and 15.5% of our revenue in respective periods. The following table sets out a breakdown of our administrative expenses in absolute amounts and as percentage of our administrative expenses for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Listing expenses	—	—	—	—	—	—	4,353	40.5
Salaries and employee benefits expenses	4,780	39.3	4,677	41.4	3,272	49.3	2,796	26.0
Rent and rates	1,814	14.9	2,142	18.9	1,045	15.8	1,093	10.2
Travelling and Entertainment	1,221	10.0	1,338	11.8	721	10.9	813	7.6
Legal and professional fees	939	7.7	727	6.4	357	5.4	716	6.7
Depreciation of property, plant and equipment	859	7.1	550	4.9	351	5.3	89	0.8
Exchange losses	606	5.0	—	—	—	—	5	0.0
Office and utility expense	549	4.5	508	4.5	245	3.7	201	1.9
Telecommunication	452	3.7	356	3.1	138	2.1	95	0.9
Motor vehicle expenses	243	2.0	295	2.6	139	2.1	161	1.5
Others	687	5.8	717	6.4	364	5.4	432	3.9
Total	12,150	100.0	11,310	100.0	6,632	100.0	10,754	100.0

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Other expenses

Our other expenses primarily consisted of impairment on our intangible assets and written-off of an amount due from a joint venture and prepayment. For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2014 and 2015, our other expenses accounted for approximately 20.7%, 0.8%, 0.4% and 0.0% of our revenue in respective periods. The following table sets out a breakdown of our other expenses in absolute amounts and as percentage of our other expenses for the periods indicated:

	For the year ended 31 December				For the six months ended 30 June			
	2013		2014		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%	HK\$'000	%
	(Unaudited)							
Impairment on intangible assets	10,636	74.8	369	59.9	89	66.9	—	—
Written-off of an amount due from a joint venture	2,676	18.8	—	—	—	—	—	—
Written-off of prepayment	606	4.3	—	—	—	—	—	—
Others	297	2.1	247	40.1	44	33.1	22	100.0
Total	<u>14,215</u>	<u>100.0</u>	<u>616</u>	<u>100.0</u>	<u>133</u>	<u>100.0</u>	<u>22</u>	<u>100.0</u>

The impairment on our intangible assets made in 2013 and 2014 were primarily attributable to the fact that certain online PC and web games could not achieve the expected level at paying players during the years, leading to the written-off of the development costs and license fees of these games to its recoverable amounts. The written-off of an amount due from a joint venture in 2013 was primarily attributable to the waiver of an amount due from CiB Gameone Limited, one of our joint ventures, which was disposed in 2013.

Loss on disposal of joint ventures

To focus our group resources for game development, operation and publishing in Hong Kong and Taiwan markets, we entered into termination agreements with CiB Net Station Sdn Bhd and CiB Development Sdn Bhd in 2013 for the disposal of our joint ventures in Malaysia, namely, Chineseego Sdn Bhd and CiB Gameone Limited, respectively. A loss of approximately HK\$44,000 was incurred as a result of the disposal of these two joint ventures during the year.

Share of result of joint ventures

We shared loss of approximately HK\$228,000 in the year ended 31 December 2013 from one of our investments in joint venture in Malaysia, namely CiB Gameone Limited, as a result of the operating losses incurred by the joint venture during the year. Since the disposal of the joint venture in 2013, no share of result of joint ventures was borne by our Group in the year ended 31 December 2014 and the six months ended 30 June 2014 and 2015.

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Income tax expense

Our Company and its subsidiaries are incorporated in different jurisdictions, with different taxation requirements illustrated below:

Hong Kong

All of our Company's Hong Kong incorporated subsidiaries were subject to Hong Kong Profits Tax at the rate of 16.5% during the Track Record Period. A provision for Hong Kong Profits Tax was made for our Group's estimated assessable profit derived in Hong Kong for each of the reporting periods during the Track Record Period.

Taiwan

The business tax rate and corporate income tax rate applicable to our Taiwan Branch is 5% and 17%, respectively. No corporate income tax has been provided for our Taiwan branch as it did not generate any tax assessable profits in Taiwan during the Track Record Period.

PRC

Provision for the enterprise income tax in the PRC is calculated based on a statutory tax rate of 25% of the estimated assessable profit as determined in accordance with the relevant income tax law in the PRC.

The following table sets out the breakdown of our income tax expense for the periods indicated:

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Current tax - Hong Kong Profits Tax				
- Tax for the year/period	1,271	2,450	1,332	3,014
- Under provision in prior years	5	516	516	—
	1,276	2,966	1,848	3,014
Current tax - PRC Tax				
- Tax for the year/period	17	21	13	—
	1,293	2,987	1,861	3,014
Deferred tax	(266)	43	(4)	56
Total	1,027	3,030	1,857	3,070

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In accordance with the accounting policies adopted by the Group, estimates and judgements used in preparing financial statements 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. More often than not, accounting estimates do differ from the actual results. As such, any changes in accounting estimates are to be adjusted in subsequent accounting periods.

In preparation of the combined financial statements for the year ended 31 December 2013, based on certain assumptions, the Group had treated certain tax losses incurred by the Taiwan branch as tax deductible. However, during the preparation of actual tax return, such taxes losses were added back as part of assessable profits for the sake of prudence, in accordance with tax advice provided by the Group's tax consultants and agreed in profit tax assessment issued by the Inland Revenue Department of Hong Kong. Accordingly, a Hong Kong income tax under-provision of approximately HK\$0.5 million arose for the financial year ended 31 December 2013 and was recorded in the financial year ended 31 December 2014. The Directors are of the view that such under-provision does not have any material impact on the financial performance and result of operations of the Group during the Track Record Period.

As confirmed by the Directors, the Group did not experience any dispute or unresolved tax issue with the relevant tax authorities during the Track Record Period and up to the Latest Practicable Date. The Directors believe that the tax obligations of the Group for the same periods were fully disclosed in the financial statements in the prospectus.

Net (loss)/profit for the year/period

As a result of the above mentioned factors, we recorded net loss of approximately HK\$9.6 million in 2013, and recorded net profit of approximately HK\$7.0 million in 2014, respectively. For the six months ended 30 June 2014 and 2015, we recorded net profit of approximately HK\$6.1 million and HK\$10.4 million, respectively. Our net profit margins for 2014 and the six months ended 30 June 2014 and 2015 were approximately 9.0%, 16.3% and 15.0%, respectively.

PERIOD TO PERIOD COMPARISON OF RESULTS OF OPERATIONS

Six months ended 30 June 2014 compared with six months ended 30 June 2015

Revenue

Our revenue increased by approximately 86.1% from approximately HK\$37.3 million in the six months ended 30 June 2014 to approximately HK\$69.4 million in the six months ended 30 June 2015, primarily attributable to the combined effect of (i) a HK\$32.9 million increase in our game operation income from our licensed games primarily due to the increase in revenue from mobile games which included the launch of *Demi-Gods and Semi-Devils 3D** (天龍八部 3D); (ii) a HK\$1.2 million increase in our game operation income from our self/co-developed games primarily due to the increase in revenue from mobile games which included the launch of *Game C*; and (iii) a HK\$1.7 million decrease in our game publishing income from online PC games in the six months ended 30 June 2015.

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Cost of services rendered

Our cost of services rendered increased by approximately 86.6% from approximately HK\$18.7 million in the six months ended 30 June 2014 to approximately HK\$34.9 million in the six months ended 30 June 2015, primarily attributable to the combined effect of (i) a HK\$8.1 million increase in channel fees primarily resulted from the operation and publishing of more mobile games in the six months ended 30 June 2015 which were more dependent on services by third-party distribution platforms than that for online PC games and web games; (ii) a HK\$6.9 million increase in royalty expenses primarily resulted from an increase in our game operation income from our licensed games; and (iii) a HK\$0.8 million increase in amortisation of our intangible assets during the period.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 85.5% from approximately HK\$18.6 million in the six months ended 30 June 2014 to approximately HK\$34.5 million in the six months ended 30 June 2015, primarily contributed by an increase in our game operation income from our licensed games.

Our gross profit margin remained relatively stable at approximately 49.9% and 49.7% in the six months ended 30 June 2014 and 2015, respectively, primarily attributable to the launch of more mobile games in the six months ended 30 June 2015 which were at a relatively lower gross profit margin than that of online PC games primarily as a result of the channel fees for third-party game distribution platforms; and partially offset by the cost advantages gained from economies of scale upon the significant increase in game operation income during the period.

Other income

Our other income decreased by approximately 88.9% from approximately HK\$0.9 million in the six months ended 30 June 2014 to approximately HK\$0.1 million in the six months ended 30 June 2015, primarily attributable to the recognition of exchange gain of approximately HK\$0.6 million in the six months ended 30 June 2014 mainly resulted from payment of license fees and royalty expenses in foreign currencies.

Selling expenses

Our selling expenses increased by approximately 116.7% from approximately HK\$4.8 million in the six months ended 30 June 2014 to approximately HK\$10.4 million in the six months ended 30 June 2015, primarily attributable to a HK\$5.2 million increase in marketing and promotion costs as a result of stronger marketing and promotion effort for the introduction of new games in the six months ended 30 June 2015.

Administrative expenses

Our administrative expenses increased by approximately 63.6% from approximately HK\$6.6 million in the six months ended 30 June 2014 to approximately HK\$10.8 million in the six months ended 30 June 2015, primarily due to a HK\$4.4 million increase in listing expenses for the services rendered by professional parties for the preparation of Placing in the six months ended 30 June 2015.

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Other expenses

Our other expenses decreased by approximately 83.5% from approximately HK\$133,000 in the six months ended 30 June 2014 to approximately HK\$22,000 in the six months ended 30 June 2015, primarily due to a HK\$89,000 decrease in impairment on our intangible assets mainly attributable to the fact that more online PC games and web games could not achieve the expected level of paying players in the six months ended 30 June 2014 than that in the six months ended 30 June 2015.

Income tax expense

Our income tax expense increased by approximately 63.2% from approximately HK\$1.9 million in the six months ended 30 June 2014 to approximately HK\$3.1 million in the six months ended 30 June 2015, mainly as a result of the increase in our taxable profit primarily attributable to the increase in revenue from our operation in Hong Kong.

Net profit for the periods

Our net profit increased by approximately 70.5% from approximately HK\$6.1 million in the six months ended 30 June 2014 to approximately HK\$10.4 million in the six months ended 30 June 2015, primarily attributable to the combined effect of (i) a HK\$15.9 million increase in our gross profit in the six months ended 30 June 2015 primarily attributable to an increase in our revenue contributed by our game operation income from our licensed games; (ii) a HK\$5.6 million increase in our selling expenses primarily attributable to more marketing and promotion costs for game promotion and (iii) a HK\$4.2 million increase in our administrative expenses primarily attributable to the recognition of listing expenses in the six months ended 30 June 2015.

Year ended 31 December 2013 compared with year ended 31 December 2014

Revenue

Our revenue increased by approximately 14.4% from approximately HK\$68.8 million in 2013 to approximately HK\$78.7 million in 2014, primarily attributable to the combined effect of (i) a HK\$7.2 million increase in our game operation income from our self/co-developed games primarily due to the increase in revenue from mobile games which included *The Ravages of Time (mobile version)** (火鳳燎原手機版) and *The Ravages of Time - Battle** (火鳳燎原大戰); (ii) a HK\$2.7 million increase in our game operation income from our licensed games primarily due to the increase in revenue from mobile games which included the launch of *SEGA Soccer League** (SEGA創造球會) and *My Princess is Cutest** (我家公主最可愛); and (iii) a HK\$0.7 million decrease in our royalty income generated from the licensing of our self/co-developed games to our third-party game operators in PRC in 2014.

Cost of services rendered

Our cost of services rendered increased by approximately 13.8% from approximately HK\$39.1 million in 2013 to approximately HK\$44.5 million in 2014, primarily attributable to the combined effect of (i) a HK\$6.2 million increase in channel fees primarily resulted from the operation and publishing of more mobile games in 2014 which were more dependent on services by third-party

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distribution platforms than that for online PC games and web games; (ii) a HK\$2.4 million increase in royalty expenses primarily resulted from an increase in our game operation income from our licensed games; and (iii) a HK\$1.6 million decrease in amortisation of our intangible assets in 2014 primarily due to the relatively lower balance of intangible assets as at 31 December 2013 as a result of the impairments made in 2013.

Gross profit and gross profit margin

As a result of the foregoing, our gross profit increased by approximately 15.2% from approximately HK\$29.7 million in 2013 to approximately HK\$34.2 million in 2014, primarily contributed by an increase in our game operation income from our self/co-developed games.

Our gross profit margin remained relatively stable at approximately 43.1% and 43.4% in 2013 and 2014, respectively, primarily attributable to the launch of more mobile games in 2014 which were at a relatively lower gross profit margin than that of online PC games primarily as a result of the channel fees for third-party game distribution platforms; and partially offset by the decrease in the amortisation of our intangible asset as explained in the above paragraph.

Other income

Our other income increased by approximately 266.7% from approximately HK\$0.3 million in 2013 to approximately HK\$1.1 million in 2014, primarily attributable to the recognition of exchange gain of approximately HK\$0.7 million in 2014 mainly resulted from the payment of license fees and royalty expenses in foreign currencies.

Selling expenses

Our selling expenses increased by approximately 10.8% from approximately HK\$12.0 million in 2013 to approximately HK\$13.3 million in 2014, primarily attributable to a HK\$1.8 million increase in marketing and promotion costs as a result of stronger marketing and promotion effort for introduction of new games in 2014.

Administrative expenses

Our administrative expenses slightly decreased by approximately 7.4% from approximately HK\$12.2 million in 2013 to approximately HK\$11.3 million in 2014, primarily attributable to the recognition of exchange loss of approximately HK\$0.6 million in 2013 primarily resulted from the payment of license fees and royalty expenses in foreign currencies.

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Other expenses

Our other expenses significantly decreased by approximately 95.8% from approximately HK\$14.2 million in 2013 to approximately HK\$0.6 million in 2014, primarily due to (i) a HK\$10.3 million decrease in impairment on our intangible assets mainly attributable to the fact that more online PC games and web games could not achieve the expected level of paying players in 2013 than that in 2014; and (ii) a HK\$2.7 million decrease in written-off of an amount due from a joint venture as a result of the disposal of our joint ventures in 2013.

Income tax expense

Our income tax expense significantly increased by approximately 200.0% from approximately HK\$1.0 million in 2013 to approximately HK\$3.0 million in 2014, mainly as a result of the increase in our taxable profit primarily attributable to the increase in revenue our operation in Hong Kong.

Net (loss)/profit for the years

We recorded a net loss of approximately HK\$9.6 million in 2013 and a net profit of approximately HK\$7.0 million in 2014, primarily attributable to the combined effect of (i) a HK\$4.5 million increase in our gross profit in 2014 primarily attributable to an increase in our revenue contributed by the operation of our self/co-developed games; and (ii) a HK\$13.6 million decrease in our other expenses in 2014 primarily attributable to a HK\$10.3 million decrease in impairment made on our intangible assets and a HK\$2.7 million decrease in a written-off of an amount due from a joint venture during the year.

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NET CURRENT ASSETS

The following table sets out our current assets, current liabilities and net current assets as at the dates indicated:

	As at 31 December		As at 30 June	As at 31 October
	2013	2014	2015	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (Unaudited)
Current assets				
Inventories	386	290	253	237
Trade receivables	8,776	7,264	9,702	6,065
Prepayments, deposits and other receivables	4,327	5,060	9,361	10,278
Amount due from related companies	1,361	1,208	1,312	1,000
Prepaid tax	110	—	—	—
Cash at banks and in hand	36,362	37,562	52,682	48,994
	<u>51,322</u>	<u>51,384</u>	<u>73,310</u>	<u>66,574</u>
Current liabilities				
Trade payables	3,836	1,963	4,129	5,533
Accrued expenses and other payables	6,329	5,515	11,076	10,186
Deferred income	11,758	12,037	15,889	10,841
Amount due to related companies	555	222	58	10
Provision for taxation	—	432	3,446	3,409
	<u>22,478</u>	<u>20,169</u>	<u>34,598</u>	<u>29,979</u>
Net current assets	<u>28,844</u>	<u>31,215</u>	<u>38,712</u>	<u>36,595</u>

Our net current assets increased by approximately HK\$2.4 million or 8.3% from approximately HK\$28.8 million as at 31 December 2013 to approximately HK\$31.2 million as at 31 December 2014. The increase in our net current assets during the year was primarily attributable to a HK\$2.3 million decrease in our current liabilities mainly resulted from a HK\$1.9 million decrease in our trade payables primarily attributable to the settlement of trade payables to our third-party game developers/operators in 2014.

Our net current assets increased by approximately HK\$7.5 million or 24.0% from approximately HK\$31.2 million as at 31 December 2014 to approximately HK\$38.7 million as at 30 June 2015. The increase in our net current assets during the period was primarily attributable to a HK\$21.9 million increase in our current assets primarily resulted from a HK\$15.1 million increase in our cash at banks and in hand as a result of the net cash generated from our operating activities. It was partially offset by a HK\$14.4 million increase in our current liabilities primarily resulted from a HK\$5.6 million increase in our accrued expenses and other payables as a result of an increase in the accrual for listing expenses and a HK\$3.9 million increase in our deferred income as a result of an increase in proceeds received from our game players for our online games and mobile games services.

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Our net current assets slightly decreased by approximately HK\$2.1 million or 5.4% from approximately HK\$38.7 million as at 30 June 2015 to approximately HK\$36.6 million as at 31 October 2015, primarily attributable to a HK\$6.7 million decrease in our current assets mainly resulted from (i) a HK\$3.7 million decrease in cash at banks and in hand and (ii) a HK\$3.6 million decrease in trade receivables primarily due to the decrease in receivables from the third party payment vendors as a result of the lower reliance on pre-paid game cards during the period.

DESCRIPTION OF KEY BALANCE SHEET ITEMS

Intangible assets

Our intangible assets as at 31 December 2013 and 2014 and 30 June 2015 primarily consisted of the license fees paid to third-party game developers/operators for our licensed games to operate in Hong Kong and/or Taiwan and other copyrights.

As at 31 December 2013 and 2014 and 30 June 2015, the carrying amounts of our intangible assets were approximately HK\$11.9 million, HK\$18.1 million and HK\$20.6 million, respectively. The overall increase in the carrying amounts of our intangible assets was primarily due to the payment of license fees to third-party game developers/operators for the acquisition of operating rights of licensed games for Hong Kong and/or Taiwan markets.

We made impairment on our intangible assets of approximately HK\$10.6 million and HK\$0.4 million in the two years ended 31 December 2013 and 2014, respectively, primarily attributable to the fact that certain online PC games and web games could not achieve the expected level of paying players during the years. The development cost and license fee for the operation of these games were therefore impaired to its recoverable amount and respective impairment losses were reflected as other expenses in the combined statement of comprehensive income in respective periods.

Trade receivables

Our trade receivables, which were approximately HK\$8.8 million, HK\$7.3 million and HK\$9.7 million as at 31 December 2013 and 2014 and 30 June 2015, respectively, mainly consisted of the non-interest bearing receivables from third-party game distribution platforms and payment channels, but not yet settled as at the respective reporting dates.

Our third-party game distribution platforms and payment channels collect the gross proceeds from our game players' purchases and remit us the net proceeds after the deduction of the channel fees charged by them. The channel fees deducted by our third-party game distribution platforms and payment channels are based on pre-determined percentages of the gross proceeds from our game players' purchases. The net proceeds to be remitted from third-party game distribution platforms and payment channels would be recognised as our trade receivables.

A HK\$1.5 million decrease in our trade receivables in 2014 was primarily attributable to the relatively lower revenue in the fourth quarter in 2014 when compared to that in 2013 as a result of less marketing and promotion costs incurred in the respective quarters. A HK\$2.4 million increase in our trade receivables in the six months ended 30 June 2015 was primarily attributable to an increase in our revenue mainly resulted from the game operation income from our licensed games during the period.

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Our Group normally granted to our major trade debtors, which were primarily the third-party game distribution platforms and payment channels, credit period within 60 days. The following table sets out the ageing analysis of our trade receivables based on the month-end dates of the month in which the transactions were completed as at the dates indicated:

	As at 31 December				As at 30 June	
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
0-30 days	5,431	61.9	4,994	68.8	6,666	68.7
31-60 days	3,099	35.3	2,109	29.0	2,909	30.0
Over 60 days	246	2.8	161	2.2	127	1.3
Total	<u>8,776</u>	<u>100.0</u>	<u>7,264</u>	<u>100.0</u>	<u>9,702</u>	<u>100.0</u>

The following table sets out the aging analysis of our trade receivables based on the past due date as at the dates indicated:

	As at 31 December				As at 30 June	
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Neither past due nor impaired	8,316	94.8	6,924	95.3	9,346	96.3
0-30 days	332	3.8	277	3.8	136	1.4
31-60 days	94	1.1	33	0.5	160	1.6
Over 60 days	34	0.3	30	0.4	60	0.7
Total	<u>8,776</u>	<u>100.0</u>	<u>7,264</u>	<u>100.0</u>	<u>9,702</u>	<u>100.0</u>

Trade receivables that were past due but not impaired related to a number of trade debtors that we had continuing business relationships with them including transactions and settlements with them. Based on the fact that our continuous business transactions and the past credit history of these debtors, our Directors are of the view that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. Our Group did not hold any collateral in respect of trade receivables past due but not impaired.

As at the end of each reporting period, our Group reviews trade receivables for evidence of impairment on both individual and collective basis. In the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, we have written off trade receivables of approximately HK\$108,000, HK\$75,000 and HK\$22,000 directly to the profit or loss in respective periods as our Directors are of the view that these balances have been long overdue and unlikely to recover in the foreseeable future. None of the trade receivables as at 31 December 2013 and 2014 and 30 June 2015 have been identified by our Group as having an impairment issue. No impairment loss was made on our trade receivables during the Track Record Period.

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As at the Latest Practicable Date, approximately 99.7% of our trade receivables as at 30 June 2015 had been subsequently settled.

Our average trade receivables turnover days, which were approximately 46 days in 2013, 37 days in 2014 and 22 days in the six months ended 30 June 2015, were within the credit period granted to our major trade debtors. The decrease in our average trade receivables turnover days was primarily attributable to the efficient credit collection effort by our management and the growing proportion of trade receivables due from third-party distribution platforms, such as Apple Store and Google Play, which were granted a relatively shorter credit period, as a result of the shift of our strategic focus from online PC games and web games to mobile games throughout the Track Record Period.

Prepayments, deposits and other receivables

The principal component of our prepayments, deposits and other receivables as at 31 December 2013 and 2014 and 30 June 2015 was the prepayments, which primarily represented the prepayments for royalty expenses and listing expenses. We made prepayment for royalty expenses as some third-party game developers/operators required us to pay in advance a certain portion of royalty expenses which were to offset the royalty to be paid since the operation of the licensed games.

Our prepayments, deposits and other receivables significantly increased from approximately HK\$5.1 million as at 31 December 2014 to approximately HK\$9.4 million as at 30 June 2015 primarily attributable to (i) a HK\$2.9 million increase in prepayment for royalty expenses for some of our licensed games including *Demi-Gods and semi-Devils 3D** (天龍八部 3D) and (ii) a HK\$1.1 million increase in prepayment for listing expenses for the preparation of Placing.

Trade payables

Our trade payables, which were approximately HK\$3.8 million, HK\$2.0 million and HK\$4.1 million as at 31 December 2013 and 2014 and 30 June 2015, respectively, mainly represented the non-interest bearing payables to third-party game developers/operators but not yet settled as at the respective reporting dates.

One of our major creditors as at each reporting date during the Track Record Period were mainly the third-party game developers/operators which entered into license agreements with us, based on which we are licensed to operate, publish and promote the licensed games through our game distribution platforms as well as other third-party distribution platforms in Hong Kong and/or Taiwan. In return, we would pay third-party game developers/operators the license fee and monthly royalty expenses for the operation of respective licensed games. The royalty expenses to be remitted to third-party game developers/operators are therefore one of the principal components of our trade payables during the Track Record Period. Our trade payables were also made up of the net proceeds collected from our game players from our games for publishing which would be remitted to third-party game developers/operators, with the deduction of our services fees as our game publishing income.

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A HK\$1.8 million decrease in our trade payables in 2014 was primarily attributable to the settlement in 2014 of a relatively large payable to our third-party game developer/operator in 2013 resulted from the net proceeds of approximately HK\$2.2 million collected from a newly launched game for publishing in the last quarter of 2013. A HK\$2.1 million increase in our trade payables in 2015 was primarily attributable to more royalty expenses to be remitted to our third-party game developers/operators as a result of an increase in game operation income from licensed games during the period.

Our average trade payables turnover days, which were approximately 25 days in 2013, 24 days in 2014 and 16 days in the six months ended 30 June 2015, were within the credit period of 30 days granted by our creditors, which were mainly the third-party game developers/operators for our games. A substantial portion of our trade payables as at each reporting date during the Track Record Period were aged within 30 days.

As at the Latest Practicable Date, approximately 97.9% of our trade payables as at 30 June 2015 had been subsequently settled.

Accrued expenses and other payables

The following table sets out our accrued expenses, other payables and receipt in advance:

	As at 31 December				As at 30 June	
	2013		2014		2015	
	HK\$'000	%	HK\$'000	%	HK\$'000	%
Accrued expenses	3,597	56.8	3,042	55.2	7,386	66.7
Other payables	2,354	37.2	1,536	27.8	2,796	25.2
Receipt in advance	378	6.0	937	17.0	894	8.1
Total	6,329	100.0	5,515	100.0	11,076	100.0

Our accrued expenses as at each reporting date during the Track Record Period represented the expenses incurred but not yet invoiced and paid, which primarily included salaries and employee benefits expenses and listing expenses. Our accrued expenses remained relatively stable at approximately HK\$3.6 million and HK\$3.0 million as at 31 December 2013 and 2014, respectively. The significant increase in our accrued expenses in 2015 by approximately HK\$4.4 million was primarily attributable to the accruals for listing expenses due to the services rendered by professional parties for the preparation of Placing.

Our other payables primarily consisted of the payables for withholding profits tax which were resulted from the remittance of royalty expenses to our overseas third-party game developers/operators. A HK\$0.9 million decrease in our other payables in 2014 was primarily attributable to the combined effect of (i) the settlement made in 2014 for expenses incurred in 2013 and (ii) an increase in payables for withholding profits tax as a result of an increase in royalty expenses in 2014. A HK\$1.3 million increase in our other payables in 2015 was primarily attributable to a HK\$1.0 million increase in payables for withholding profits tax to overseas third-party game developers/operators mainly resulted from an increase in our royalty expenses as a result of an increase in game operation income from licensed games in 2015.

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Deferred income

Our deferred income represented the proceeds received from our game players for online games and mobile games services to which we have not yet rendered as at the respective reporting dates during the Track Record Period. Our deferred income was approximately HK\$11.8 million, HK\$12.0 million and HK\$15.9 million as at 31 December 2013 and 2014 and 30 June 2015, respectively.

For further details of the recognition of license fees received from our licensed operators, please refer to the sub-section headed “Critical accounting policies and estimates — Revenue” in this section in this prospectus.

LIQUIDITY AND CAPITAL RESOURCES

Cash flows

We financed our operations primarily through cash generated from our operating activities. During the Track Record Period and up to the Latest Practicable Date, we did not have any bank borrowings. As at 31 December 2013 and 2014, 30 June 2015 and 31 October 2015, we had cash and cash equivalents of approximately HK\$36.4 million, HK\$37.6 million, HK\$52.7 million and HK\$49.0 million, respectively, which were cash at banks and in hand. No banking facility has been arranged by our Group during the Track Record Period and up to the Latest Practicable Date. We expect that our liquidity position would further be strengthened by using the combination of cash generated from our operating activities and the net proceeds received from the Placing. Going forward, we intend to use our capital for our operations and the expansion plans which are further described in the section headed “Future plans and use of proceeds” in this prospectus.

The following table sets out a summary of our combined statements of cash flows for the periods indicated:

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(unaudited)	
(Loss)/profit before income tax	(8,564)	10,075	7,942	13,471
Adjustments for non-cash items	25,138	7,799	3,529	3,852
Operating cash flows before changes in working capital	<u>16,574</u>	<u>17,874</u>	<u>11,471</u>	<u>17,323</u>
Net cash generated from operating activities	12,609	14,210	9,652	21,995
Net cash used in investing activities	<u>(4,248)</u>	<u>(12,949)</u>	<u>(8,950)</u>	<u>(6,877)</u>
Net increase in cash and cash equivalents	<u>8,361</u>	<u>1,261</u>	<u>702</u>	<u>15,118</u>

During the Track Record Period, we had no cash generated from or used in financing activities.

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Net cash from operating activities

Our cash flows from operating activities consisted primarily of loss/profit before income tax in the respective periods, primarily adjusted by (i) non-cash items which included depreciation of property, plant and equipment, amortisation of intangible assets, impairment on intangible assets and written-off of an amount due from a joint venture; and (ii) changes in working capital which mainly included trade receivables, prepayments, deposits and other receivables, trade payables, accrued expenses and other payables and deferred income. The fluctuations of our cash flows from operating activities were primarily due to the changes in our working capital in the respective periods.

We had net cash generated from operating activities of approximately HK\$12.6 million in 2013, mainly as a result of the loss before income tax of approximately HK\$8.6 million during the year, and adjusted for (i) adding back certain non-cash items, primarily including impairment on our intangible assets of approximately HK\$10.6 million and amortisation of our intangible assets of approximately HK\$6.7 million and (ii) an increase in trade payables of approximately HK\$2.3 million mainly attributable to the payables of royalty expenses to third-party game developers/operators during the year. It was partially offset by (i) the payment of income tax of approximately HK\$5.6 million and (ii) a decrease in accrued expenses and other payables of approximately HK\$2.6 million during the year.

We had net cash generated from operating activities of approximately HK\$14.2 million in 2014, mainly as a result of the profit before income tax of approximately HK\$10.1 million during the year, and adjusted for (i) adding back certain non-cash items, primarily including amortisation of our intangible assets of approximately HK\$5.2 million and depreciation of property, plant and equipment of approximately HK\$2.0 million and (ii) a decrease in our trade receivables of approximately HK\$1.3 million mainly attributable to the relatively lower revenue in the fourth quarter in 2014 when compared to that in 2013. It was partially offset by (i) a decrease in trade payables of approximately HK\$1.9 million primarily attributable to the settlement in 2014 of a relatively large payable to our third-party game developer/operator as at 31 December 2013 resulted from the net proceeds of approximately HK\$2.2 million collected from a newly launched game for publishing in the last quarter of 2013 and (ii) the payment of income tax of approximately HK\$1.8 million during the year.

We had net cash generated from operating activities of approximately HK\$22.0 million in the six months ended 30 June 2015, mainly as a result of the profit before income tax of approximately HK\$13.5 million generated during the period, and adjusted for (i) an increase in accrued expenses and other payables of approximately HK\$5.5 million mainly attributable to an increase in accrual for listing expenses due to the services rendered by professional parties for the preparation of Placing and (ii) an increase in deferred income of approximately HK\$3.8 million mainly attributable to an increase in proceeds received from our game players for online games and mobile games services during the period. It was partially offset by (i) an increase in prepayments, deposits and other receivables of approximately HK\$4.3 million primarily attributable to an increase in prepayment for royalty expenses for some of our licensed games and prepayment for listing expenses and (ii) an increase in trade receivables of approximately HK\$2.4 million primarily attributable to an increase in the game operation income from our licensed games during the period.

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Net cash used in investing activities

Our cash inflow from investing activities during the Track Record Period was from the receipt of interest income and the settlement with related companies. Our cash outflows in investing activities primarily resulted from the acquisition of intangible assets and purchases of property, plant and equipment.

We had net cash used in investing activities of approximately HK\$4.2 million in 2013, mainly attributable to (i) the payment for the acquisition of intangible assets of approximately HK\$3.2 million primarily attributable to the payment of license fees for the acquisition of the operating rights of our licensed games and (ii) the purchases of property, plant and equipment of approximately HK\$1.0 million during the year.

We had net cash used in investing activities of approximately HK\$12.9 million in 2014, mainly attributable to (i) the payment for the acquisition of intangible assets of approximately HK\$11.7 million primarily attributable to the payment of license fees for the acquisition of the operating rights of our licensed games and (ii) the purchases of property, plant and equipment of approximately HK\$1.4 million during the year.

We had net cash used in investing activities of approximately HK\$6.9 million in the six months 30 June 2015, mainly attributable to (i) the payment for the acquisition of intangible assets of approximately HK\$6.0 million primarily attributable to the payment of license fees for the acquisition of the operating rights of our licensed games and (ii) the purchases of property, plant and equipment of approximately HK\$0.8 million during the period.

Capital expenditure

For the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, we incurred capital expenditure of approximately HK\$4.2 million, HK\$13.1 million and HK\$6.8 million, respectively. The following table sets forth our capital expenditures for the years/period indicated:

	For the year ended 31 December		For the six months ended 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Purchases of property, plant and equipment	1,036	1,437	812
Additions of intangible assets	3,222	11,672	5,963
Total	<u>4,258</u>	<u>13,109</u>	<u>6,775</u>

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The capital expenditure we incurred during the Track Record Period was primarily related to the additions of intangible assets. In the year ending 31 December 2015, our Directors expect to incur major capital expenditure which includes additions of intangible assets relating to the payment of license fees for acquisition of operating rights of licensed games from third-party game developers/operators. We plan to fund our capital expenditure mainly by cash generated from operating activities.

Working Capital

Taking into account the financial resources available to our Group, including the cash generated from our operating activities and the estimated net proceeds from the Placing, our Directors are of the view that, after due and careful inquiry, our Group has sufficient available working capital for our present working capital requirements for at least the next 12 months from the date of this prospectus.

RELATED PARTY BALANCES

Amounts due from related companies

The following table sets out the breakdown of our amounts due from related companies as at the dates indicated:

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
ongameshow.com	1,361	1,208	1,280
STGT	—	—	32
	1,361	1,208	1,312

The amounts due from these related companies were non-trading, unsecured, interest-free and repayable on demand. All amounts due from these related companies will be fully settled before the Placing.

Amounts due to related companies

The following table sets out the breakdown of our amounts due to related companies as at the dates indicated:

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
NYIL	65	80	21
Nineyou International (Hong Kong) Limited	386	—	—
Nineyou Information Technology (Shanghai) Limited	104	142	37
	555	222	58

FINANCIAL INFORMATION

The amounts due to these related companies were trading, unsecured, interest-free and have no fixed terms of repayments.

For details of continuing connected transactions, please refer to the section headed “Continuing Connected Transactions” in this prospectus.

RELATED PARTY TRANSACTIONS

During the Track Record Period, we conducted the transactions with our related parties. Our Directors are of the view that these transactions were conducted on normal commercial terms and/or our terms that are not less favourable than terms available from independent third parties which are considered fair and reasonable and in the interest of our Shareholders as a whole.

For details of related party transactions conducted during the Track Record Period, please refer to the note 23 to the Accountants’ Report set out in the Appendix I to this prospectus.

COMMITMENT

Capital commitments

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$’000	HK\$’000	HK\$’000
Contracted but not provided for			
- Acquisition of intangible assets	<u>566</u>	<u>3,429</u>	<u>1,075</u>

The capital commitments as at each reporting date during the Track Record Period were primarily related to the acquisition of intangible assets including operating rights of certain licensed games.

FINANCIAL INFORMATION

Operating lease commitments

We leased certain premises under operating leases, the terms of which lasted for two to three years, with an option to renew the lease terms at the expiry dates or at dates mutually agreed between our Group and the respective landlords. None of the leases include contingent rentals. The following table sets forth our operating lease commitments for future minimum lease payments under non-cancellable operating leases as at the dates indicated:

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,255	1,755	2,120
In the second to fifth years	41	1,264	792
Total	1,296	3,019	2,912

INDEBTEDNESS

We did not have any bank borrowing and other debts as at 31 October 2015, being the latest practicable date for the purpose of the indebtedness statement. There was no material covenant relating to the indebtedness of our Group as at 31 October 2015.

We did not have any bank loans or other borrowings, or any other outstanding loan capital issued and outstanding or agreed to be issued, term loans, bank overdrafts or other similar indebtedness, liabilities under acceptances (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at 31 October 2015.

DISCLAIMER

Our Directors confirm that, up to the Latest Practicable Date, there has been no material change in our indebtedness, capital commitments, foreign exchange liabilities and contingent liabilities of our Group from 30 June 2015.

KEY FINANCIAL RATIOS

The following table sets out our key financial ratios for the periods indicated:

	Notes	As at 31 December		As at 30 June
		2013	2014	2015
Return on equity (%)	1	N/A	14.9	N/A
Return on total assets (%)	2	N/A	10.3	N/A
Current ratio	3	2.3	2.5	2.1

FINANCIAL INFORMATION

Notes:

1. Return on equity is calculated based on the profit/loss for the respective period divided by the average of total equity at the beginning and the end of period and multiplied by 100%.
2. Return on total assets is calculated based on the profit/loss for the respective period divided by the average of total assets at the beginning and the end of period and multiplied by 100%.
3. Current ratio is calculated based on the total current assets as at the respective dates divided by the total current liabilities as at the respective dates.

Return on equity

Our return on equity for the year ended 31 December 2013 was not applicable primarily attributable to the net loss of approximately HK\$9.6 million incurred during the year as a result of the other expenses of approximately HK\$14.2 million primarily resulted from the impairment made on our intangible assets and written-off of an amount due from a joint venture and prepayment during the year.

We recorded return on equity of approximately 14.9% in 2014 primarily attributable to the net profit of approximately HK\$7.0 million, mainly resulted from the combined effect of (i) a HK\$4.5 million increase in our gross profit as a result of an increase in game operation income from our self/co-developed games; and (ii) a HK\$13.6 million decrease in other expenses as a result of less impairment incurred on our intangible assets during the year.

Return on total assets

Our return on total assets for the year ended 31 December 2013 was not applicable primarily attributable to the net loss of approximately HK\$9.6 million incurred during the year as a result of the other expenses of approximately HK\$14.2 million primarily resulted from the impairment made on our intangible assets and written-off of an amount due from a joint venture and prepayment during the year.

We recorded return on total assets of approximately 10.3% in 2014 primarily attributable to the net profit of approximately HK\$7.0 million, mainly resulted from the combined effect of (i) a HK\$4.5 million increase in our gross profit as a result of an increase in game operation income from our self/co-developed games; and (ii) a HK\$13.6 million decrease in other expenses as a result of less impairment loss incurred on our intangible assets during the year.

FINANCIAL INFORMATION

Current ratio

Our current ratio slightly increased from approximately 2.3 as at 31 December 2013 to approximately 2.5 as at 31 December 2014, primarily attributable to a decrease in our current liabilities by approximately 10.3% mainly resulted from a HK\$1.8 million decrease in our trade payables in 2014 primarily attributable to the settlement in 2014 of a relatively large payable to our third-party game developer/operator as at 31 December 2013 resulted from the net proceeds of approximately HK\$2.2 million collected from a newly launched game for publishing in the last quarter of 2013.

Our current ratio slightly decreased from approximately 2.5 as at 31 December 2014 to approximately 2.1 as at 30 June 2015, primarily attributable to the combined effect of (i) an increase in our current liabilities by approximately 71.5% mainly resulted from a HK\$5.6 million increase in our accrued expenses and other payables due to an increase in accrual for listing expenses and (ii) an increase in our current asset by approximately 42.7% mainly resulted from a HK\$15.1 million increase in our cash at banks and in hand due to net cash generated from our operating activities in the six months ended 30 June 2015.

QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISKS

We were exposed to various material risks in our normal course of business which included credit risk, foreign currency risk and liquidity risk. The following summarised our financial management policies and practices which limited our exposure to these material financial risks.

Credit risk

We will bear financial loss if any of our counterparties to a transaction is unwilling or unable to fulfil its obligation to pay. Our Group is exposed to credit risk in respect of its trade receivables, other receivables and cash at banks.

We monitor our trade receivables on an ongoing basis and only trade with creditworthy parties. We consider the credit risk on liquid funds as low because the counterparties are major banks with high credit ratings. We are subject to concentration of credit risk since majority of our trade receivables are due from a limited number of trade debtors which were primarily the third-party game distribution platforms and payment channels.

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Our exposures to currency risk arise mainly from its overseas income or payment on royalty and license fee, which are primarily denominated in US dollar, Japanese Yen or Renminbi. These are not the functional currencies of our principal subsidiaries to which these transactions related. We currently do not have a foreign currency hedging policy. However, our Directors monitor foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

FINANCIAL INFORMATION

Liquidity risk

Liquidity risk relates to the risk that we will not be able to meet our obligations associated with our financial liabilities that are settled by delivering cash or another financial assets. We are exposed to such risk in respect of settlement of our trade payables, accrued expenses and other payables and amounts due to related companies.

We monitor and maintain appropriate reserve of liquid assets to meet our liquidity requirements in the short and long term. The liquidity policies have been followed by our Group during the Track Record Period and are considered by our directors to have been effective in managing liquidity risks.

For further details on our policies and practices for minimising our exposure to various financial risks including credit risk, liquidity risk, currency risk and interest rate risk, please refer to note 26 to the Accountants' Report as set out in Appendix I to this prospectus.

OFF-BALANCE SHEET ARRANGEMENTS

During the Track Record Period and up to the Latest Practicable Date, we did not have any off-balance sheet arrangements.

DIVIDENDS AND DIVIDEND POLICY

During the Track Record Period, we had not declared and paid any dividend. We do not currently have a dividend policy or intention to pay dividends. We do not have any pre-determined dividend payout ratio.

Distribution of dividends will generally be determined by our Board subject to the approval by our Shareholders in general meeting. The payment and the amount of any dividends in the future will depend on, among other things, our results of operations, cash flows, financial condition, the size of our distributable amount, statutory and regulatory restrictions on the payment of dividends, future prospects and other factors that we may consider relevant. Such historical dividend distributions should not be used as a reference or basis to determine the amount of dividends, if any, that may be declared or paid by us in the future. The declaration, payment, and amount of dividends will be subject to our discretion.

Dividends may be paid out of our distributable profits and share premium as permitted under the relevant laws. To the extent profits are distributed as dividends, such portion of profits will not be available to be reinvested in our operations. Share premium is to be used, only if we are able to pay our debts as they fall due in the ordinary course of business. Cash dividends on Shares, if any, will be paid in Hong Kong dollars. There can be no assurance that we will be able to declare or distribute any dividend in the amount set out in any plan of the Board or at all.

DISTRIBUTABLE RESERVES

As at 30 June 2015, our Company had no distributable reserve available for distribution to our Shareholders.

FINANCIAL INFORMATION

RECENT DEVELOPMENT AND EFFECTS OF LISTING EXPENSES

For the ten months ended 31 October 2015, we recorded an unaudited total revenue of approximately HK\$102.9 million. We launched a licensed mobile game, namely *Demi-Gods and Semi-Devils 3D** (天龍八部3D), in February 2015. This game received good response from game players in our markets. Since its official launch in February 2015 up to 31 October 2015, a total revenue of approximately HK\$43.9 million was generated from *Demi-Gods and Semi-Devils 3D** (天龍八部3D), or on average approximately HK\$4.9 million per month, representing approximately 42.7% of our total unaudited revenue for the ten months ended 31 October 2015. Moreover, our self-developed mobile game *The Ravages of Time (mobile version)** (火鳳燎原手機版) generated approximately HK\$11.3 million, or on average approximately HK\$1.1 million per month, representing approximately 11.0% of our total unaudited revenue for the ten months ended 31 October 2015. Together these two mobile games contributed around 53.6% of our total unaudited revenue for the said period.

Similar to other mobile game operated by us during the Track Record Period, the estimated game life of *Demi-Gods and Semi-Devils 3D** (天龍八部3D) is about three to six months, and considerable revenue would be generated in the first three to six months upon official launch. Therefore, the revenue generated from *Demi-Gods and Semi-Devils 3D** (天龍八部3D) started to decline during the third quarter of 2015. Similarly, revenue generated from *The Ravages of Time (mobile version)** (火鳳燎原手機版) has continued to decline despite the periodic release of updates and introducing new elements and features since its official launch in May 2013. For the four months ended 31 October 2015, the average monthly revenue generated from these two games are approximately HK\$2.9 million and HK\$0.9 million, respectively. To extend the game life of these games, we will continue to release new updates and upgrades periodically, and introduce new elements and features appealing to players to continue to play. As part of our effort to enhance market presence of our game, we updated the *Ravages of Time (mobile version)** (火鳳燎原手機版) and *Demi-Gods and Semi-Devils 3D** (天龍八部3D) in September and October 2015 respectively.

The aforementioned financial information for the ten months ended 31 October 2015 is based on our unaudited management accounts prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants and reviewed by the Reporting Accountants in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants for such period.

Subsequent to the Track Record Period, we have launched three licensed mobile games, namely, *The Legend of Gulong’s Heroes (Mobile)** (古龍群俠傳手機版), *King Online** (君王之王), and the *Age of Wushu (Mobile)** (九陰真經手機版) in July, September and December 2015, respectively. We also launched two games for publishing, namely, *Pocodum** (波可龍迷宮) and *Football Master** (足球大師) in September and October 2015, respectively. For details of performance and respective details of games launched after the Track Record Period and up to the Latest Practicable Date, please refer to page 132 of the “Business” section of this prospectus.

FINANCIAL INFORMATION

In addition, we expect our financial results for the year ended 31 December 2015 will continue to be adversely affected by the non-recurring listing expenses. The listing expenses to be borne by our Company are estimated to be approximately HK\$24.4 million, of which approximately HK\$6.4 million is directly attributable to the Placing and to be accounted for as a deduction from equity in accordance with the relevant accounting standards. The remaining amount of approximately HK\$18.0 million is to be charged to our combined statements of comprehensive income, of which nil, nil and approximately HK\$4.4 million had been charged to our combined statements of comprehensive income for the years ended 31 December 2013 and 2014 and the six months ended 30 June 2015, respectively. Our net profit for the six months ended 30 June 2015 were approximately HK\$10.4 million. Excluding the non-recurring listing expenses, we would record net profit for the six months ended 30 June 2015 of approximately HK\$14.8 million.

A further amount of listing expenses of approximately HK\$12.4 million is expected to be charged in the second half of the year ending 31 December 2015 and approximately HK\$1.2 million to be charged in the year ending 31 December 2016. The estimated listing expenses are the latest best estimate for reference only and subject to adjustments based on the actual amount incurred or to be incurred.

Save for the above, our Directors confirm that as at the date of this prospectus, there has been no material adverse change to our financial or trading position or prospects since 30 June 2015, being the date to which our most recent audited combined financial statements were prepared, and up to the date of this prospectus.

Based on the current information available to our Directors, we anticipate that we may experience a significant decrease in our net profit for the year ending 31 December 2015, when compared to that for the year ended 31 December 2014, principally due to the significantly adverse effect of the non-recurring listing expenses during the year.

DISCLOSURE REQUIRED UNDER THE GEM LISTING RULES

Our Directors have confirmed that, except as otherwise disclosed in this prospectus, as at 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.

UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma statement of adjusted combined net tangible assets of our Group has been prepared in accordance with paragraph 7.31 of the GEM Listing Rules and Accounting Guideline 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the HKICPA for the purpose of illustrating the effect of the Placing on the net tangible assets of our Group as if it had been taken place as at 30 June 2015. The unaudited pro forma adjusted combined net tangible assets of our Group as at 30 June 2015 is based on the audited combined net tangible assets of our Group as at 30 June 2015 included in the Accountants’ Report as set out in Appendix I to this prospectus and the adjustment as described below.

FINANCIAL INFORMATION

The unaudited pro forma statement of adjusted combined net tangible assets of our Group 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 Placing been completed as at 30 June 2015.

	Audited combined net tangible assets attributable to the owners of our Company as at 30 June 2015	Estimated net proceeds from the issue of New Shares pursuant to the Placing	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of our Company	Unaudited pro forma adjusted combined net tangible assets per Share
	HK\$'000	HK\$'000	HK\$'000	HK\$
	(note 1)	(note 2)		(note 3)
Based on the Placing Price of HK\$1.00 per Share	<u>40,580</u>	<u>20,352</u>	<u>60,932</u>	<u>0.38</u>
Based on the Placing Price of HK\$1.50 per Share	<u>40,580</u>	<u>39,652</u>	<u>80,232</u>	<u>0.50</u>

Notes:

- (1) The audited combined net tangible assets of our Group attributable to owners of our Company as at 30 June 2015 is arrived at after deducting intangible assets of approximately HK\$20,561,000 from the audited combined net assets of approximately HK\$61,141,000 as at 30 June 2015, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.
- (2) The estimated net proceeds from the issue of Shares pursuant to the Placing are based on the placing price of HK\$1.00 and HK\$1.50 per Share, being the lower end to higher end of the stated Placing Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing related expenses of approximately HK\$4,352,000 which have been accounted for prior to 30 June 2015) payable by our Company. No account has been taken of the Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 160,000,000 Shares in issue immediately following the completion of the Placing as set out in the "Share Capital" section to this prospectus had the Placing been completed on 30 June 2015, but takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option and any options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.

FINANCIAL INFORMATION

- (4) The unaudited pro forma adjusted combined net tangible assets does not take into account to the cash consideration of US\$387,600 (equivalent to approximately HK\$3,004,000) received on 27 August 2015 regarding to the Pre-IPO Investment as described in the section headed “History, Reorganization and Structure of our Group” section to this prospectus. Had the receipt of the Pre-IPO Investments been taken into account, the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$0.40 per Share based on the Placing Price of HK\$1.00 per Share and HK\$0.52 per Share based on the Placing Price of HK\$1.50 per Share, respectively.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of our Group enter into subsequent to 30 June 2015.

FUTURE PLANS AND USE OF PROCEEDS

BUSINESS OBJECTIVES

Our primary objectives are (i) to strengthen our position as a leading operator and developer in the mobile game industry in Hong Kong and (ii) to actively expand into the overseas markets in respect of self/co-developed games.

BUSINESS STRATEGIES

Please refer to the section headed “Business — Our Strategies” in this prospectus for a detailed description of our Group’s future plans. We endeavour to achieve our business objectives and adopt our business strategies in accordance with the schedule set out in the paragraph headed “Implementation plans” in this section. The respective scheduled completion times are based on certain bases and assumptions as set out in the 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 under the section headed “Risk Factors” in this prospectus. Therefore, there is no assurance that our Group’s business plans will materialise in accordance with the estimated time frame and that our Group’s future plans will be accomplished at all.

IMPLEMENTATION PLANS

Our Group will endeavour to achieve the following milestone events during the period from the Listing Date to 31 December 2017, and the respective scheduled completion times are based on certain bases and assumptions as set out in the 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. Therefore, there is no assurance that our Group’s business plans will materialise in accordance with the estimated time frame and that our Group’s future plans will be accomplished at all.

The following table sets out the intended application of the net proceeds against the estimated time frame:

	From the Listing Date to 30 June 2016	For the six months ending 31 December 2016	For the six months ending 30 June 2017	For the six months ending 31 December 2017	Total	Approximate percentage of net proceeds
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(%)
Expand our game portfolio through introducing more high-quality licensed games with a focus on mobile games						
- securing additional licensed games	2.00	2.00	2.00	2.03	8.03	31.25%

FUTURE PLANS AND USE OF PROCEEDS

	From the Listing Date to 30 June 2016	For the six months ending 31 December 2016	For the six months ending 30 June 2017	For the six months ending 31 December 2017	Total	Approximate percentage of net proceeds
	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(%)
Continue to secure development rights for popular literatures, comics and animations	1.00	1.00	1.00	1.34	4.34	16.88%
Fully utilize existing games and development rights to broaden our revenue stream						
- identifying business partners to produce game-related merchandise such as die-cast characters, etc.	0.20	—	0.20	—	0.40	1.56%
Enhance our game development capacity and increase the investment in game technology to increase the number of self-developed games						
- acquisition of additional computer and related hardware and game design software	—	0.40	—	0.40	0.80	3.12%
Consolidate our market position and enhance our marketing efforts						
- marketing and promotion of our existing licensed games and self/co-developed games	1.50	1.50	1.50	2.33	6.83	26.56%
Pursue strategic alliances and acquisition opportunities	0.70	0.70	0.70	0.63	2.73	10.63%
Working capital and other general corporate purposes	0.60	0.60	0.60	0.67	2.47	10.00%
Total	<u>6.00</u>	<u>6.20</u>	<u>6.00</u>	<u>7.40</u>	<u>25.60</u>	<u>100.00%</u>

BASES AND ASSUMPTIONS

Potential investors should note that the attainability of the Group's business objectives 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 Hong Kong or in any other places in which any member of the Group carries on its business or will carry on its business;
- the Group will have sufficient financial resources to meet the planned capital expenditure and business development requirements during the period to which the business objectives relate;

FUTURE PLANS AND USE OF PROCEEDS

- there will be no material changes in the bases or rates of taxation in Hong Kong or in any other places in which any member of the Group operates or will operate;
- there will be no material changes in legislations or regulations whether in Hong Kong or elsewhere materially affecting the business carried on by the Group;
- there will be no significant changes in the Group's business relationship with its existing major customers and suppliers; and
- the Group will not be materially affected by the risk factors as set out under the section headed "Risk Factors" in this prospectus.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Directors believe that the Listing will enhance our Group's profile and recognition. In addition, the Board is also of the view that despite the estimated net proceeds from the Placing (based on the mid-point of the indicative Placing Price range) will amount to approximately HK\$25.6 million, the Listing and the Placing will provide the Company with additional avenues to raise capital for its future business expansion and long-term development, and expand and diversify the Company's shareholders base as institutional funds and retail investors in Hong Kong can easily participate in the equity of the Company. The net proceeds from the Placing will strengthen the Group's financial position.

We intend to apply the aforesaid net proceeds in the following manner from Listing to 31 December 2017:

- approximately 31.25% of the total estimated net proceeds, or approximately HK\$8.03 million, will be used to expand our game portfolio through securing additional licensed games including but not limited to the two mobile games under negotiations as at the Latest Practicable Date as well as to settle the fees payable to secure the license for the mobile game *Dachen Wushuang** (大神無雙);
- approximately 16.88% of the total estimated net proceeds, or approximately HK\$4.34 million, will be used to secure development rights for popular literatures, comics and animations;
- approximately 1.56% of the total estimated net proceeds, or approximately HK\$0.40 million, will be used to fully utilize existing games and development rights through identifying business partners to produce game-related merchandise such as die-cast characters, etc.;
- approximately 3.12% of the total estimated net proceeds, or approximately HK\$0.80 million, will be used to enhance our game development capacity and increase the investment in game technology to increase the number of self-developed games through acquisition of additional computer and related hardware and game design software;

FUTURE PLANS AND USE OF PROCEEDS

- approximately 26.56% of the total estimated net proceeds, or approximately HK\$6.83 million, will be used to consolidate our market position and enhance our marketing efforts through marketing and promotion of our existing licensed games and self/co-developed games;
- approximately 10.63% of the total estimated net proceeds, or approximately HK\$2.73 million, will be used to pursue strategic alliances and acquisition opportunities; and
- approximately 10.0% of the total estimated net proceeds, or approximately HK\$2.47 million, will be used as general working capital and other general corporate purposes.

To the extent that our net proceeds are either more or less than expected, for instance, in the event that the Placing Price is set at the high-end of the indicative Placing Price range or the Placing Price is set at the low-end of the indicative Placing Price range, we will adjust our allocation of the net proceeds for the above purposes on a pro rata basis.

The possible use of proceeds outlined above may change in light of our evolving business needs and conditions, management requirements together with prevailing market circumstances. In the event of any material modification to the use of proceeds as described above, we will issue an announcement and make disclosure in our annual report for the relevant year as required by the Stock Exchange.

According to the current estimates, our Group expects that the net proceeds from the issue of new Shares under the Placing in the sum of approximately HK\$25.6 million will be sufficient to finance the implementation our Group's current future plans up to 31 December 2017. In the event that the net proceeds from the Placing are insufficient to finance the expenditure as mentioned above, the shortfall will be finance by the internal resources of our Group.

To the extent that the net proceeds from the Placing are not immediately applied to the above purposes, we intend to deposit the proceeds into interest-bearing bank accounts with licensed banks and/or authorized financial institutions in Hong Kong so long as it is in our interest. Any deficiency in funding for the above-mentioned projects will be financed through internal funds and/or bank borrowings.

UNDERWRITING

UNDERWRITERS

China Everbright Securities (HK) Limited
Convoy Securities Limited

UNDERWRITING ARRANGEMENTS

Underwriting Agreement

Pursuant to the Underwriting Agreement, our Company will conditionally place the Placing Shares with institutional, professional and other investors at the Placing Price subject to the terms and conditions in the Underwriting Agreement and this prospectus. Subject to, among other conditions, (i) the Listing Division of the Stock Exchange granting the listing of and permission to deal in the Shares in issue and to be issued as mentioned in this prospectus on GEM, (ii) the Price Determination Agreement being entered into on or before the Price Determination Date, and to certain other conditions set out in the Underwriting Agreement being fulfilled, the Sole Global Coordinator and Underwriters have severally agreed to subscribe for or purchase or procure subscribers for or purchase their respective applicable proportions of the Placing Shares on the terms and conditions under the Underwriting Agreement and in this prospectus.

Grounds for termination

The Sole Global Coordinator (for itself and on behalf of the Underwriters) shall have the absolute right upon giving a written notice to our Company (on behalf of the other parties thereto other than the Sole Sponsor, the Sole Global Coordinator and the Underwriters) to terminate the Underwriting Agreement if any of the following events occur at any time prior to 8:00 a.m. on the Listing Date (which is expected to be on 13 January 2016)

- (a) there comes to the notice of the Sole Sponsor or the Sole Global Coordinator together:
 - (i) any statement contained in this prospectus, the formal notice, any announcements or documents issued by our Company in connection with the Placing (including any supplement or amendment thereto) (the “**Relevant Documents**”), considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion was, when its was issued, or has become, or been discovered to be untrue, incorrect or misleading in any material respect or any expressions of opinion, intention or expectation contained in any of such documents are not, in the reasonable opinion of the Sole Sponsor or the Sole Global Coordinator together, in all material respects fair and honest and based on reasonable assumptions, when taken as a whole;

UNDERWRITING

- (ii) any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute an omission therefrom considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion to be material in the context of the Placing;
 - (iii) any breach of any of the obligations imposed upon any party to the Underwriting Agreement considered by the Sole Sponsor or the Sole Global Coordinator together in its/their reasonable opinion to be material in the context of the Placing (other than upon any of the Underwriters) (as the case may be);
 - (iv) either (A) there has been a breach of any of the warranties by any of the warrantors or (B) any matter or event showing or rendering any of the warranties, as applicable, in the reasonable opinion of the Sole Sponsor or the Sole Global Coordinator together, to be untrue, incorrect or misleading in any material respect when given or repeated;
 - (v) any event, act or omission which gives or is likely to give rise to any liability of a material nature of any of the warrantors pursuant to the indemnity provisions under the Underwriting Agreement or the Placing to be performed or implemented as envisaged;
 - (vi) approval by the Stock Exchange of the listing of, and permission to deal in, the Shares is refused or not granted before the Listing Date, other than subject to customary conditions, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld;
 - (vii) our Company withdraws any of the Relevant Documents; or
 - (viii) any person (other than the Sole Sponsor, the Sole Global Coordinator or any of the Underwriters) has withdrawn its consent to the issue of any of this prospectus with the inclusion of its reports, letters, summaries of valuations 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
- (b) there shall develop, occur, happen, exist or come into effect:
- (i) any event in the nature of force majeure, including, without limitation, acts of government or orders of any courts, strikes, calamity, crisis, lock-outs (whether or not covered by insurance), fire, explosion, flooding, civil commotion, acts of war, acts of God, acts of terrorism (whether or not responsibility has been claimed), declaration of a national or international emergency, riots, public disorder, economic sanctions, outbreaks of diseases or epidemics (including but not limited to MERS, H1N1 flu,

UNDERWRITING

H5N1 and H7N9), accidents, any local, national, regional or international outbreak or escalation of hostilities (whether or not war is or has been declared) in Hong Kong, the PRC, Taiwan, the BVI or Cayman Islands (the “**Relevant Jurisdictions**”);

- (ii) any change or development involving a prospective change, or any event, matters or circumstances likely to result in any change or development involving a prospective change, in the local, national, regional, international financial, economic, political, military, industrial, fiscal, regulatory, currency, credit, market or exchange control conditions 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 linked to that of the currency of the United States, or a material fluctuation in the exchange rate of Hong Kong dollar or Renminbi against any foreign currency);
- (iii) any new law or regulation or any change or development involving a prospective change in existing laws or regulations or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority, in each case, in or affecting the Relevant Jurisdictions;
- (iv) the imposition of economic sanctions against any member of our Group, in whatever form, directly or indirectly, by the United States or by the European Union (or any member thereof) or by any of the Relevant Jurisdictions;
- (v) a change or development involving a prospective change in any taxation or exchange control (or the implementation of any exchange control, currency exchange rates or foreign investment laws or regulations) in any of the Relevant Jurisdictions;
- (vi) any change or development involving a prospective change, or a materialisation of, any of the risks set out in the section headed “Risk factors” in this prospectus;
- (vii) any litigation or claim of material importance being threatened or instigated against any member of our Group or any executive Director;
- (viii) a Director being charged with an indictable offence or prohibited by operation of law or regulation or otherwise disqualified from taking part in the management of a company;
- (ix) the chairman of the Board or chief executive officer of our Company vacating his office in circumstances where the operations of our Group may be adversely affected;
- (x) the commencement by any governmental, regulatory or political body or organisation of any action against an executive Director or a member of our Group or an announcement by any governmental, regulatory or political body or organisation that it intends to take such action;

UNDERWRITING

- (xi) any contravention by any member of our Group or any executive Director of the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Companies Law, the GEM Listing Rules, the SFO or any applicable laws;
- (xii) a prohibition on our Company for whatever reason from allotting or issuing the new Shares pursuant to the terms of the Placing;
- (xiii) non-compliance of this prospectus (and/or any other documents used in connection with the subscription or purchase of the Placing Shares) or any aspect of the Placing with the GEM Listing Rules or any other applicable laws;
- (xiv) other than with the written approval of the Sole Global Coordinator, the issue by our Company of a supplement or an amendment to this prospectus (and/or any other documents used in connection with the subscription of the new Shares) pursuant to the Companies Ordinance, Companies (Winding Up and Miscellaneous Provisions) Ordinance or the GEM Listing Rules;
- (xv) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity;
- (xvi) a petition or an order is presented for the winding-up or liquidation of any member of our Group or any member of our 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 our Group or a provisional liquidator, receiver or manager is appointed over all or part of the material assets or undertakings of any member of our Group or any analogous matter thereto occurs in respect of any member of our Group; or
- (xvii) the imposition of any moratorium, suspension or restriction on trading in shares or securities generally on or by the Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Tokyo Stock Exchange, the Shanghai Stock Exchange or the Shenzhen Stock Exchange or minimum or maximum prices for trading having been fixed, or maximum ranges for prices having been required, by any of the said exchanges or by such system or by order of any government authority,

UNDERWRITING

which in each case or in aggregate in the absolute opinion of the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Underwriters):

- (A) is or will be materially adverse to or may prejudicially affect the general affairs, management, business, financial or trading condition or prospects of our Group (as a whole) or any member of our Group;
- (B) has or will have a material adverse effect on the success, marketability of the Placing or the level of interest under the Placing;
- (C) makes or may make it impossible to proceed with the Placing or the delivery of the Placing Shares on the terms and in the manner contemplated by any of the Relevant Documents; or
- (D) has or would have the effect of making any part of the Underwriting Agreement (including underwriting) incapable of implementation or performance in accordance with its terms and in the manner contemplated by any of the Relevant Documents and the Underwriting Agreement or which prevents the processing of applications and/or payments pursuant to the Placing or pursuant to the underwriting thereof,

then the Sole Sponsor or the Sole Global Coordinator together (for themselves and on behalf of the Underwriters) may in its/their absolute discretion, upon giving notice in writing prior to 8:00 a.m. (Hong Kong Time) on the Listing Date to the Company, terminate the Underwriting Agreement with immediate effect.

Commission and expenses

The Underwriters will receive an underwriting commission of 3.5% of the aggregate Placing Price of all Placing Shares, out of which it will pay any sub-underwriting commission, and the Sole Sponsor will receive a financial advisory and documentation fee in relation to the Listing and will be reimbursed for their expenses. Such commission, advisory and documentation fee and expenses, together with the GEM listing fees, legal and other professional fees, and printing and other expenses relating to the Placing and Listing, which are estimated to amount in aggregate to approximately HK\$24.4 million, will be borne by the Company.

Underwriters interest in the Company

Save as provided for under the Underwriting Agreement, the Underwriters do not have shareholding interests in any member of the Group nor has any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any Shares.

UNDERWRITING

Undertakings

- (A) (a) Each of the Controlling Shareholders jointly and severally, undertakes to and covenants with our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that,
- (i) it/he/she shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period of six months commencing on the date by reference to which disclosure of their shareholding is made in this prospectus (the “**First Six-month Period**”) expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Shares in respect of which it/he/she is shown by this prospectus to be the beneficial owner (whether direct or indirect) (the “**Lock-up Securities**”); and
 - (ii) it shall not, and shall procure that the relevant registered holder(s) shall not, at any time during the period of six months commencing on the date on which the First Six-month Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of any of the Lock-up Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, any of the Controlling Shareholders will cease to be a controlling shareholder (within the meaning of the GEM Listing Rules) of our Company.
- (b) Each of the Controlling Shareholders shall not be prevented from the disposal of any of the Shares in respect of which it/he/she is shown by the Prospectus to be the beneficial owner (whether direct or indirect) pursuant to a pledge or charge in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)), as security for a bona fide commercial loan.
- (c) Each of the Controlling Shareholders undertakes to and covenants with each of our Company, the Sole Sponsor, the Sole Global Coordinator and the Underwriters that:
- (i) in the event that it or he pledges or charges any of its/his/her direct or indirect interest in the Shares under Rule 13.18(1) of the GEM Listing Rules 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 relevant periods specified in paragraph (a) above, each of the Controlling Shareholders must inform our Company, the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Underwriters), immediately thereafter, disclosing the details specified in Rule 17.43(1) to (4) of the GEM Listing Rules; and
 - (ii) having pledged or charged any of its/his/her interests in the Shares under paragraph (i) above each of the Controlling Shareholders must inform our company, the Sole Sponsor and the Sole Global Coordinator (for themselves and on behalf of the Underwriters), immediately in the event that it/he/she becomes aware that the pledgee or chargee has disposed of or intends to dispose of such interest and of the number of the Shares or other securities of our Company affected.

UNDERWRITING

- (B) Our Company undertakes to and covenants with each of the Sole Sponsor, the Sole Global Coordinator and the Underwriters that it shall not (and shall procure each other member of our Group not to), unless in compliance with the requirements of the GEM Listing Rules (including but not limited to Rule 17.29 of the GEM Listing Rules), except for the issue of Shares under the Placing, the Capitalisation Issue, the Offer Size Adjustment Option, the grant of any option under the Share Option Scheme or the issue of Shares upon exercise of any option granted under the Share Option Scheme, at any time during the First Six-month Period,
- (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 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 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 deposit any Shares or other securities of our Company, with a depositary in connection with the issue of depositary receipts; or
 - (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Shares or 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
 - (iii) enter into any transaction with the same economic effect as any transaction specified in paragraph (i) or (ii) above; or
 - (iv) offer to or agree to or announce any intention to effect any transaction specified in paragraph (i), (ii) or (iii) above, in each case, whether any of the transactions specified in paragraph (i), (ii) or (iii) above is to be settled by delivery of Shares or other securities of our Company, or in cash or otherwise (whether or not such transaction will be completed within the First Six-month Period).

SOLE SPONSOR'S INTEREST AND INDEPENDENCE

Save as disclosed in this prospectus, and for sponsorship and documentation fee paid and to be paid to China Everbright Capital Limited as the Sole Sponsor in connection with the Listing and as our compliance adviser with effect from the Listing Date, neither China Everbright Capital Limited nor any of its close associates has or may, as a result of the Listing and the Placing, have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities).

UNDERWRITING

No director or employee of China Everbright Capital Limited who is involved in providing advice to our Company has or, as a result of the Listing and/or the Placing, may have any interest in any class of securities of our Company or any other members of our Group (including options or rights to subscribe for such securities). No director or employee of China Everbright Capital Limited has any directorship in our Company or any other members of our Group.

The Sole Sponsor satisfies the independence criteria applicable to sponsors as set forth in Rule 6A.07 of the GEM Listing Rules.

MINIMUM PUBLIC FLOAT

Our Directors will ensure that there will be a minimum 25% of the total issued Shares held in public hands in accordance with Rule 11.23 of the GEM Listing Rules after completion of the Placing.

CORNERSTONE INVESTORS

THE CORNERSTONE PLACING

We have entered into agreements with two cornerstone investors (the “**Cornerstone Investors**” and each a “**Cornerstone Investor**”) who in aggregate have agreed to subscribe at the Placing Price such number of Placing Shares (rounded down to the nearest whole board lot of 4,000 Shares) that may be subscribed for with an aggregate of HK\$3,000,000 (collectively, the “**Cornerstone Placing**”). Assuming a Placing Price of HK\$1.0, HK\$1.25 and HK\$1.5 (being the minimum, mid-point and maximum of the indicative Placing Price range set forth in this prospectus), the total number of Shares to be subscribed by the Cornerstone Investors in aggregate will be approximately 3,000,000, 2,400,000 and 2,000,000 Shares, respectively (the “**Cornerstone Investor’s Shares**”), representing approximately 1.9%, 1.5% and 1.3% of our Shares in issue immediately after the completion of the Placing (assuming that (i) the Offer Size Adjustment Option is not exercised; and (ii) no Shares will be issued pursuant to the exercise of options under the Share Option Scheme. Details of the actual number of Placing Shares to be allocated to the Cornerstone Investors will be disclosed in the announcement of results of allocations to be issued by us on or about 12 January 2016.

To the best knowledge of our Directors, each of the Cornerstone Investors and their respective ultimate beneficial owners is an Independent Third Party, not an existing Shareholder of our Company and independent from each other. Immediately following the completion of the Placing, the Cornerstone Investors will not have any board representation in our Company, nor will any of the Cornerstone Investors become a substantial shareholder of our Company. No special rights have been granted to the Cornerstone Investors as part of the Cornerstone Placing. The Cornerstone Investors’ Shares will rank pari passu with the fully paid Shares then in issue and will be counted towards the public float of our Shares under Rule 11.23 of the GEM Listing Rules.

Subject to the fulfillment of the conditions precedent as disclosed below, the Cornerstone Investors shall subscribe the Cornerstone Investors’ Shares pursuant to, and as part of, the Placing. The Cornerstone Investors will not subscribe for any Shares under the Placing other than pursuant to the relevant cornerstone investment agreement.

Cornerstone Investors	Investment amount	Number of Placing Shares subscribed ⁽¹⁾			Approximate percentage of total number of Shares initially offered under the Placing (%)			Approximate percentage of total number of Shares in issue following the completion of the Placing (%) ⁽²⁾		
		HK\$1.00	HK\$1.25	HK\$1.50	HK\$1.00	HK\$1.25	HK\$1.50	HK\$1.00	HK\$1.25	HK\$1.50
	(HK\$)									
Linekong Interactive Group Co., Ltd.	1,500,000	1,500,000	1,200,000	1,000,000	3.75%	3.00%	2.50%	0.94%	0.75%	0.63%
Soft-World International Corporation	1,500,000	1,500,000	1,200,000	1,000,000	3.75%	3.00%	2.50%	0.94%	0.75%	0.63%

CORNERSTONE INVESTORS

Notes:

- (1) Based on the respective Placing Prices indicated, rounded down to the nearest whole board lot of 4,000 Shares.
- (2) Assuming Offer Size Adjustment Option is not exercised and no Shares will be issued pursuant to the exercise of options under the Share Option Scheme.

OUR CORNERSTONE INVESTORS

We set out below a brief description of each of our Cornerstone Investors:

Linekong Interactive Group Co., Ltd. is an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on GEM (stock code: 8267). Linekong Interactive Group Co., Ltd. and its subsidiaries are principally engaged in online game and mobile game developing and publishing.

Soft-World International Corporation is a company incorporated in Taiwan with limited liability and is a public company listed on Taiwan Stock Exchange (stock code: 5478). Soft-World International Corporation and its subsidiaries are principally engaged in the development and distribution of game software and the publication of game magazines.

CONDITIONS PRECEDENT

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (i) the Underwriting Agreement being entered into and having become unconditional (in accordance with its terms or as subsequently varied by agreement of the relevant parties thereto) by no later than the time and the date specified therein;
- (ii) the Underwriting Agreement not having been terminated;
- (iii) the Stock Exchange having granted the listing of, and permission to deal in, the Placing Shares and such approval or permission not having been revoked prior to the commencement of dealing in the Shares on the Stock Exchange; and
- (iv) no statute, rule or regulation shall have been enacted or promulgated by any governmental authority of any relevant jurisdiction which prohibits the consummation of the investment and there shall be no order or injunction of a court of competent and relevant jurisdiction in effect precluding or prohibiting consummation of the investment.

CORNERSTONE INVESTORS

RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTOR

Each of the Cornerstone Investors has agreed that, without the prior written consent of each of our Company and the Sole Global Coordinator, it shall not, whether directly or indirectly, at any time during the period of six months following the Listing Date, (i) dispose of, or agree or contract to dispose of, either directly or indirectly, conditionally or unconditionally, any of its respective Cornerstone Investor's Shares or any interest therein or any voting right or any other right attaching thereto; or (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of such share capital or securities or interest therein or any voting right or any other right attaching thereto; or (iii) enter into any transaction directly with the same economic effect as any transaction described in paragraphs (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in paragraphs (i), (ii) or (iii) above, whether any of the foregoing transactions described in paragraphs (i), (ii) or (iii) above is to be settled by delivery of share capital or such other securities, in cash or otherwise. Each Cornerstone Investor may transfer its respective Cornerstone Investor's Shares so subscribed to a wholly-owned subsidiary of such Cornerstone Investor and any such transfer can only be made when the transferee agrees to be subject to the restrictions on disposal imposed on such Cornerstone Investor.

After the expiry of the aforesaid lock-up period, each of the Cornerstone Investors will be free to dispose of any of its Shares and it shall not knowingly dispose of any of its Shares to create a disorderly or false market and is otherwise in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the SFO, the GEM Listing Rules and such other applicable laws.

STRUCTURE AND CONDITIONS OF THE PLACING

PLACING PRICE

The Placing Price will not more than HK\$1.5 per Placing Share and is expected to be not less than HK\$1.0 per Placing Share. Subscribers, when subscribing for the Placing Shares, shall pay the Placing Price plus brokerage fee of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005%. Assuming the Placing Price of HK\$1.5 or HK\$1.0 per Placing Share (being the highest and lowest prices of indicative Placing Price range respectively), investors shall pay HK\$6,060.46 and HK\$4,040.31 of every board lot of 4,000 Shares, respectively. The final Placing Price, the level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the GEM website and the website of our Company at www.gameone.com.hk on or before Tuesday, 12 January 2016.

DETERMINING THE PLACING PRICE

The Placing Price is expected to be determined by agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) on the Price Determination Date, which is expected to be on or before Wednesday, 6 January 2016, and in any event not later than Tuesday, 12 January 2016. Prospective investors should be aware that if the Joint Lead Managers (for themselves and on behalf of the Underwriters) and our Company is unable to reach an agreement on the Placing Price on or before Tuesday, 12 January 2016, the Placing will not proceed and will lapse.

The Placing Price will not be more than HK\$1.5 per Share and not less than HK\$1.0. The Placing Price is currently expected to be not less than HK\$1.0 per Share. The Joint Lead Managers may, with the consent of our Company, reduce the indicative Placing Price range below to the above stated in this prospectus at any time prior to the Price Determination Date. If this occurs, notice of reduction of the indicative Placing Price range will be published on the Stock Exchange website and our Company's website at www.gameone.com.hk.

CONDITIONS OF THE PLACING

The Placing is conditional upon:

- (a) the Listing Division of the Stock Exchange granting listing of and permission to deal in the Shares in issue and to be issued as described in this prospectus on GEM;
- (b) the Price Determination Agreement between our Company and the Joint Lead Managers (for themselves and on behalf of the Underwriters) being entered into on or before the Price Determination Date; and
- (c) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional (including if relevant, as a result of the waiver of any condition(s) by the Joint Lead Managers (for themselves and on behalf of the Underwriters)), and not having been terminated in accordance with the terms of the Underwriting Agreement,

STRUCTURE AND CONDITIONS OF THE PLACING

in each case, on or before the dates and times specified in the Underwriting Agreement (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

If these conditions are not fulfilled or (where applicable) waived by the Joint Lead Managers (for themselves and on behalf of the Underwriters) on or before the day which is the 30th day after the date of this prospectus, the Placing shall lapse and the Stock Exchange will be notified immediately. Notice of lapse of the Placing will be caused to be published by our Company on the GEM website and the website of our Company at www.gameone.com.hk on the next Business Day immediately following of such lapse.

THE PLACING

The level of indications of interests in the Placing and the basis of allocations of the Placing Shares will be announced on the Stock Exchange website at www.hkexnews.hk and our Company's website at www.gameone.com.hk on or before 12 January 2016.

Subject to the exercise of the Offer Size Adjustment Option, our Company is initially offering 40,000,000 Placing Shares for subscription pursuant to the Placing, representing 25% of our Company's enlarged issued share capital immediately after completion of the Placing. Subject to the terms of the Underwriting Agreement, the Placing Shares are fully underwritten by the Underwriters.

The Underwriters or agents nominated by them on behalf of our Company will conditionally place the Placing Shares at the Placing Price plus a 1% brokerage fee, a 0.005% Stock Exchange trading fee and a 0.0027% SFC transaction levy to professional, institutional and other investors in Hong Kong.

BASIS OF ALLOCATION

Allocation of the Placing Shares to professional, institutional and other investors will be based on a number of factors, including the level and timing of demand and whether or not it is expected that the relevant investor is likely to acquire further Shares and/or hold or sell its Shares after the Listing. Such allocation is intended to result in a distribution of the Placing Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and the Shareholders as a whole.

Subject to prior written consent of the Stock Exchange, no allocations will be permitted to nominee companies unless the name of the ultimate beneficiary is disclosed, without the prior written consent of the Stock Exchange. Details of the Placing will be announced in accordance with Rules 10.12(4), 16.08 and 16.16 of the GEM Listing Rules.

STRUCTURE AND CONDITIONS OF THE PLACING

OFFER SIZE ADJUSTMENT OPTION

In connection with the Placing, the Company has granted the Offer Size Adjustment Option to the Underwriters. Under the Offer Size Adjustment Option, which will be exercisable at any time before 6:00 p.m. on the business day immediately before the date of allotment results announcement with respect to the level of indication of interest in the Placing, the Sole Global Coordinator shall have the right to require the Company to issue and allot at the Placing Price up to an aggregate of 6,000,000 additional new Shares, representing 15% of the Placing Shares initially made available for subscription under the Placing. Any such additional Shares may be issued to cover any excess demand in the Placing and in the event that the Offer Size Adjustment Option is exercised, the Sole Global Coordinator in its sole and absolute discretion may decide to whom and the proportions in which the additional Shares will be allotted. If the Offer Size Adjustment Option is exercised in full, the Company will be required to issue 6,000,000 additional new Shares, representing approximately 3.61% of the Company's total enlarged number of Shares in issue immediately following completion of the Placing and the Capitalization Issue and the exercise of the Offer Size Adjustment Option but without taking into account any Shares which may fall to be issued upon the exercise of any option that may be granted under the Share Option Scheme. If the Sole Global Coordinator decides to exercise the Offer Size Adjustment Option, it will be exercised to cover excess demand in the Placing. The Placing Shares (including any excess demand) will be allocated by the Sole Global Coordinator prior to the commencement of trading of the Shares on GEM.

For the avoidance of doubt, the purpose of the Offer Size Adjustment Option is to provide flexibility for the Sole Global Coordinator to meet any excess demand in the Placing. The Offer Size Adjustment Option will not be associated with any price stabilisation activities of the Shares in the secondary market after the listing of the Shares on GEM and will not be subject to the Securities and Futures (Price Stabilising) Rules of the SFO. No purchase of the Shares in the secondary market will be effected to cover any excess demand in the Placing which will only be satisfied by the exercise of the Offer Size Adjustment Option in full or in part.

The Company will disclose in its allotment results announcement whether and to what extent the Offer Size Adjustment Option has been exercised, and will confirm in the announcement that, if the Offer Size Adjustment Option is not exercised by that time, then the Offer Size Adjustment Option will have lapsed and cannot be exercised on any future date.

COMMENCEMENT OF DEALINGS IN THE SHARES

Dealings in the Shares on GEM are expected to commence on 13 January 2016. The Shares will be traded in board lots of 4,000 Shares.

STRUCTURE AND CONDITIONS OF THE PLACING

SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS

Application has been made to the Stock Exchange for the Listing of and permission to deal in the Shares in issue and to be issued as mentioned in the prospectus. Subject to the approval of the listing of, and permission to deal in, the Shares on the GEM and the compliance with the stock admission requirements of HKSCC, the Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the Listing Date or 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. Investors should seek the advice of their stockbroker or other professional adviser for details of those settlement arrangements that will affect their rights, interests and liabilities. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. All necessary arrangements have been made for the Shares to be admitted into CCASS.

The following is the text of a report, prepared for the sole purpose of inclusion in this prospectus, from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong.



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The Directors
Gameone Holdings Limited

China Everbright Capital Limited

31 December 2015

Dear Sirs,

We set out below our report on the financial information regarding Gameone Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) including the combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for each of the two years ended 31 December 2013 and 2014, and the six months ended 30 June 2015 (the “Track Record Period”) and the combined statements of financial position of the Group as at 31 December 2013, 2014 and 30 June 2015 and the statements of financial position of the Company as at 31 December 2013, 2014 and 30 June 2015, together with explanatory notes thereto (the “Financial Information”), for inclusion in the prospectus of the Company dated 31 December 2015 (the “Prospectus”) in connection with the initial listing of the shares of the Company on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

The Company was incorporated in the Cayman Islands with limited liability under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands (the “Cayman Islands Company Law”) on 14 April 2010. Pursuant to a group reorganisation (the “Reorganisation”) as described in the paragraphs headed “Reorganization” in the “History, Reorganization and Structure of our Group” section to the Prospectus, the Company has since 23 December 2015 become the holding company of the subsidiaries now comprising the Group. The Company has not carried on any business since the date of its incorporation saved for the Reorganisation.

As at the date of this report, no statutory financial statements have been prepared for the Company, as it is not subject to statutory audit requirement under the relevant rules and regulations in its jurisdiction of incorporation.

As at the date of this report, the Company has direct and indirect interests in the subsidiaries as set out in note 1 of Section II below. The statutory financial statements of the subsidiaries now comprising the Group were prepared in accordance with the relevant accounting principles applicable to these companies in the jurisdiction in which they were incorporated and / or established. Details of their statutory auditors during the Track Record Period are set out in note 1 of Section II below.

For the purpose of the Financial Information of this report, the directors of the Company have prepared the combined financial statements (the “Underlying Financial Statements”) of the Group for the Track Record Period in accordance with the basis of presentation as set out in note 2 of Section II and in accordance with the accounting policies set out in note 3 of Section II which conform with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

The Financial Information set out in this report has been prepared by the directors of the Company based on the Underlying Financial Statements with no adjustments made thereon.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and the true and fair presentation of the Financial Information prepared in accordance with the basis of presentation set out in note 2 of Section II below and the accounting policies set out in note 3 of Section II below and the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “GEM Listing Rules”), and the contents of this Prospectus in which this report is included. The directors of the Company are also responsible for such internal control as they determine is necessary to enable the preparation of Financial Information that is free from material misstatements, whether due to fraud or error.

Our responsibility is to form an independent opinion, based on our examination, on the Financial Information and to report our opinion to you. For the purpose of this report, we have carried out appropriate audit procedures on the Underlying Financial Statements for the Track Record Period in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. We have examined the Financial Information in accordance with the Auditing Guideline — Prospectuses and the Reporting Accountant (Statement 3.340) issued by the HKICPA and have carried out such additional procedures on the Financial Information as we considered necessary.

OPINION IN RESPECT OF THE FINANCIAL INFORMATION

In our opinion, for the purpose of this report, the Financial Information prepared on the basis as set out in note 2 of Section II and in accordance with the accounting policies set out in note 3 of Section II, gives a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2013, 2014 and 30 June 2015 and of the results and cash flows of the Group for the Track Record Period.

COMPARATIVE FINANCIAL INFORMATION

For the purpose of this report, we have also reviewed the unaudited financial information of the Group including the combined statement of profit or loss and other comprehensive income, combined statement of cash flows and combined statement of changes in equity for the six months ended 30 June 2014, together with the notes thereto (the “Comparative Financial Information”) in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the HKICPA. The directors of the Company are responsible for the preparation of the Comparative Financial Information in accordance with the basis of presentation set out in note 2 of Section II, the accounting policies set out in note 3 of Section II below, the disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules. Our responsibility is to express a conclusion on the Comparative Financial Information based on our review. A review 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 HKSAAs 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 on the Comparative Financial Information.

On the basis of our review, for the purpose of this report, nothing has come to our attention that causes us to believe the Comparative Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	For the year ended 31 December		For the six months ended 30 June	
		2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
					(Unaudited)
Revenue	6	68,833	78,668	37,332	69,425
Cost of services rendered		(39,134)	(44,501)	(18,720)	(34,897)
Gross profit		29,699	34,167	18,612	34,528
Other income	6	336	1,103	909	81
Selling expenses		(11,962)	(13,269)	(4,814)	(10,362)
Administrative expenses		(12,150)	(11,310)	(6,632)	(10,754)
Other expenses		(14,215)	(616)	(133)	(22)
Operating (loss) / profit		(8,292)	10,075	7,942	13,471
Loss on disposal of joint ventures		(44)	—	—	—
Share of results of joint ventures		(228)	—	—	—
(Loss) / profit before income tax	7	(8,564)	10,075	7,942	13,471
Income tax expense	8	(1,027)	(3,030)	(1,857)	(3,070)
(Loss) / profit for the year / period		(9,591)	7,045	6,085	10,401
Other comprehensive income					
<i>Item that will not be reclassified to profit or loss</i>					
Exchange difference upon disposal of joint ventures		44	—	—	—
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange difference on translation of financial statements of foreign operations		(207)	644	241	(357)
Other comprehensive income for the year / period		(163)	644	241	(357)
Total comprehensive income for the year / period attributable to owners of the Company		(9,754)	7,689	6,326	10,044

COMBINED STATEMENTS OF FINANCIAL POSITION

	Notes	As at 31 December		As at
		2013	2014	30 June
		HK\$'000	HK\$'000	2015
				HK\$'000
ASSETS AND LIABILITIES				
Non-current assets				
Property, plant and equipment	12	2,741	1,970	2,088
Intangible assets	13	11,944	18,076	20,561
		<u>14,685</u>	<u>20,046</u>	<u>22,649</u>
Current assets				
Inventories	14	386	290	253
Trade receivables	15	8,776	7,264	9,702
Prepayments, deposits and other receivables	16	4,327	5,060	9,361
Amount due from related companies	19	1,361	1,208	1,312
Prepaid tax		110	—	—
Cash at banks and in hand		36,362	37,562	52,682
		<u>51,322</u>	<u>51,384</u>	<u>73,310</u>
Current liabilities				
Trade payables	17	3,836	1,963	4,129
Accrued expenses and other payables	18	6,329	5,515	11,076
Deferred income	18	11,758	12,037	15,889
Amount due to related companies	19	555	222	58
Provision for taxation		—	432	3,446
		<u>22,478</u>	<u>20,169</u>	<u>34,598</u>
Net current assets		<u>28,844</u>	<u>31,215</u>	<u>38,712</u>
Total assets less current liabilities		<u>43,529</u>	<u>51,261</u>	<u>61,361</u>
Non-current liabilities				
Deferred taxation	20	121	164	220
Net assets		<u>43,408</u>	<u>51,097</u>	<u>61,141</u>
EQUITY				
Equity attributable to owners of the Company				
Share capital	21	—	—	—
Reserves	22	43,408	51,097	61,141
Total equity		<u>43,408</u>	<u>51,097</u>	<u>61,141</u>

STATEMENTS OF FINANCIAL POSITION

	Note	As at 31 December		As at
		2013	2014	30 June
		HK\$'000	HK\$'000	2015
		HK\$'000	HK\$'000	HK\$'000
ASSETS AND LIABILITIES				
Current assets				
Cash in hand		—	—	—
Net assets		—	—	—
EQUITY				
Share capital	21	—	—	—
Reserves		—	—	—
Total equity		—	—	—

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reserve*	Other reserve*	Translation reserve*	Accumulated losses	Total equity
	HK\$'000	HK\$'000 (Note 22)	HK\$'000 (Note 22)	HK\$'000	HK\$'000	HK\$'000
At 1 January 2013	—	646	67,897	604	(15,985)	53,162
Loss for the year	—	—	—	—	(9,591)	(9,591)
Exchange difference on translation of financial statements of foreign operations	—	—	—	(207)	—	(207)
Exchange difference upon disposal of joint ventures	—	—	—	44	—	44
Other comprehensive income for the year	—	—	—	(163)	—	(163)
Total comprehensive income for the year	—	—	—	(163)	(9,591)	(9,754)
At 31 December 2013 and 1 January 2014	—	646	67,897	441	(25,576)	43,408
Profit for the year	—	—	—	—	7,045	7,045
Exchange difference on translation of financial statements of foreign operations	—	—	—	644	—	644
Other comprehensive income for the year	—	—	—	644	—	644
Total comprehensive income for the year	—	—	—	644	7,045	7,689
At 31 December 2014 and 1 January 2015	—	646	67,897	1,085	(18,531)	51,097
Profit for the period	—	—	—	—	6,085	6,085
Exchange difference on translation of financial statements of foreign operations	—	—	—	241	—	241
Other comprehensive income for the period	—	—	—	241	—	241
Total comprehensive income for the period	—	—	—	241	6,085	6,326
At 30 June 2014 (Unaudited)	—	646	67,897	682	(19,491)	49,734
Profit for the period	—	—	—	—	10,401	10,401
Exchange difference on translation of financial statements of foreign operations	—	—	—	(357)	—	(357)
Other comprehensive income for the period	—	—	—	(357)	—	(357)
Total comprehensive income for the period	—	—	—	(357)	10,401	10,044
At 30 June 2015	—	646	67,897	728	(8,130)	61,141

* The total of these balances represents "Reserves" in the combined statements of financial position.

COMBINED STATEMENTS OF CASH FLOWS

	Notes	For the year ended		For the six months	
		31 December		ended 30 June	
		2013	2014	2014	2015
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
				(Unaudited)	
Cash flows from operating activities					
(Loss) / profit before income tax		(8,564)	10,075	7,942	13,471
Adjustments for:					
Depreciation of property, plant and equipment	7	3,438	1,975	1,083	705
Amortisation of intangible assets	7	6,748	5,172	2,696	3,478
Written off of prepayment and receivables	7	714	75	44	22
Exchange difference, net		664	44	(379)	(351)
Bank interest income	6	(10)	(7)	(4)	(2)
Share of results of joint ventures		228	—	—	—
Loss on disposal of joint ventures		44	—	—	—
Loss on disposal of property, plant and equipment	7	—	172	—	—
Written off of amount due from a joint venture	7	2,676	—	—	—
Impairment on intangible assets	7	10,636	368	89	—
<i>Operating profit before working capital changes</i>		16,574	17,874	11,471	17,323
Decrease in inventories		162	95	103	37
(Increase) / decrease in trade receivables		(427)	1,348	2,121	(2,423)
Increase in prepayments, deposits and other receivables		(446)	(745)	(2,725)	(4,293)
Increase / (decrease) in trade payables		2,271	(1,873)	(613)	2,154
(Decrease) / increase in accrued expenses and other payables		(2,598)	(677)	(208)	5,519
Decrease in amount due from joint ventures		35	—	—	—
Increase / (decrease) in amount due to related companies		555	(334)	(4)	(164)
Increase / (decrease) in deferred income		2,052	287	(1,100)	3,842
<i>Cash generated from operations</i>		18,178	15,975	9,045	21,995
Income tax paid		(5,569)	(1,765)	607	—
<i>Net cash generated from operating activities</i>		12,609	14,210	9,652	21,995
Cash flows from investing activities					
Payments for acquisition of intangible assets		(3,222)	(11,672)	(8,315)	(5,963)
Purchase of property, plant and equipment		(1,036)	(1,437)	(603)	(812)
Repayment from/(advanced to) related companies		—	153	(36)	(104)
Interest received		10	7	4	2
<i>Net cash used in investing activities</i>		(4,248)	(12,949)	(8,950)	(6,877)
Net increase in cash and cash equivalents		8,361	1,261	702	15,118
Cash and cash equivalents at beginning of year/period		28,145	36,362	36,362	37,562
Effect of foreign exchange rates changes		(144)	(61)	16	2
Cash and cash equivalents at end of year/period		36,362	37,562	37,080	52,682
Analysis of balances of cash and cash equivalents					
Cash at banks and in hand		36,362	37,562	37,080	52,682

II. NOTES TO THE FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Gameone Holdings Limited was incorporated in the Cayman Islands with limited liability under the Cayman Islands Company Law on 14 April 2010. The Company's registered office is located at PO Box 309, Uglan House, Grand Cayman, KY1-1104 the Cayman Islands. The Company's principal place of business is located at Unit A, 21/F, North Point Industrial Building, No. 499 King's Road, North Point, Hong Kong.

The principal activity of the Company is investment holding. The principal activities of the Company and its subsidiaries are engaged in development, operation, publishing and distribution of online and mobile games (the "Core Business").

As at the date of this report, the Company has direct or indirect interests in the following subsidiaries:

Name	Place and date of incorporation / establishment	Effective interest held by the Company	Principal activities
<i>Interests held directly</i>			
Gameone Inc.	The British Virgin Islands ("BVI") 7 September 2010	100%	Investment holding
<i>Interests held indirectly</i>			
Gameone.com Inc.	BVI 7 September 2010	100%	Investment holding
Gameone Agency Limited ("Gameone Agency")	BVI 7 September 2010	100%	Investment holding
G9 Entertainment Limited ("G9")	BVI 7 September 2010	100%	Investment holding
Gameone Group Limited ("Gameone Group (HK)")	Hong Kong 25 August 2010	100%	Investment holding, development, operation, publishing and distribution of online and mobile games

Name	Place and date of incorporation / establishment	Effective interest held by the Company	Principal activities
Gameone Online Technology Limited (“Gameone Online Technology”)	Hong Kong 15 September 2010	100%	Development of online and mobile games
Interactive Gameone Software (Shenzhen) Limited 互動智傲軟件(深圳)有限公司 (“Gameone (Shenzhen)”)	People’s Republic of China (“PRC”) 19 June 2001	100%	Development of online games (Deregistered on 19 October 2015)
Roaming Mobile Technology (Shenzhen) Limited 漫遊移動科技(深圳)有限公司 (“Roaming Mobile Technology”)	PRC 13 August 2013	100%	Development of online games

No audited financial statements have been prepared for Gameone Inc., Gameone.com Inc., Gameone Agency and G9 since their dates of incorporation as they were incorporated in a country where they are not subject to statutory audit requirements.

The audited financial statements for 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 statutory financial statements of Gameone Group (HK) and Gameone Online Technology for the years ended 31 December 2013 and 2014 were audited by BDO Limited, Certified Public Accountants. The statutory financial statements of Gameone (Shenzhen) and Roaming Mobile Technology for the years ended 31 December 2013 and 2014 were audited by Shenzhen Jiatai, Certified Public Accountants.

Except for the audited financial statements of Gameone Online Technology for the years ended 31 December 2013 and 2014 which had an adverse opinion for not preparing consolidated financial statements and an emphasis of matter on its material uncertainty regarding the going concern, other audited financial statements were unqualified.

2. REORGANISATION AND BASIS OF PRESENTATION

2.1 Group reorganisation

Pursuant to the Reorganisation carried out by the Group as fully explained in the paragraphs headed “Reorganization” in the “History, Reorganization and Structure of our Group” section to the Prospectus and completed on 23 December 2015 to rationalise the structure of the Group, the Company has become the holding company of the subsidiaries now comprising the Group.

2.2 Basis of presentation

For the Company's proposed listing of its shares on the GEM of the Stock Exchange, the companies now comprising the Group underwent a Reorganisation to rationalise the existing group structure. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 23 December 2015. As the Reorganisation mainly involved inserting a holding entity at the top of the existing group and has not resulted in any change of economic substances, the Financial Information for the Track Record Period has been presented as a continuance of the existing group using the merger accounting.

The directors considered that as onegameshow.com Limited ("Onegameshow") is engaged in publishing of magazines and comic books, generating advertising income from online platform, which are not related to the Core Business ("Non-core Business") and operated and financed separately, therefore they are excluded in the Listing. Since separate books and records are maintained by the Non-core Business, the income, expenses, assets and liabilities of Non-core Business for the Track Record Period have been excluded in the Financial Information and the corresponding information for the purpose of this report. All significant transactions and balances with the Non-core Business have been included in the combined statements of profit or loss and other comprehensive income and the combined statements of financial position, and disclosed in the notes to these Financial Information.

The consideration for the transfer of Onegameshow was determined based on the share capital acquired by Mr. Sze Yan Ngai and the consideration was settled by cash on 25 September 2015. Investment cost in Onegameshow of approximately HK\$1 will be treated as repayment of capital in the capital reserve. Onegameshow has been disposed of by the Group on 25 September 2015 in pursuant to the Reorganisation.

The combined statements of profit or loss and other comprehensive income, the combined statements of changes in equity and the combined statements of cash flows of the Group for the Track Record Period have been prepared to present the results, changes in equity and cash flows of the Company and its subsidiaries as if the current group structure had been in existence throughout the Track Record Period, or since their respective dates of incorporation, whichever was shorter. The combined statements of financial position of the Group as at 31 December 2013 and 2014 and as at 30 June 2015 have been prepared to present the assets and liabilities of the Company and its subsidiaries as if the current group structure had been in existence at those dates.

The assets and liabilities of the companies comprising the Group are combined using the existing book values from the controlling shareholder's perspective. No amount is recognised as consideration of goodwill or excess of acquirer's interest in the fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

All significant intra-group transactions, balances and unrealised gains on transactions have been eliminated on consolidation.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The Financial Information has been prepared in accordance with the accounting policies set out below, which conform with HKFRSs, which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards and Interpretations issued by the HKICPA. The Financial Information also complies with the applicable disclosure requirements of the Hong Kong Companies Ordinance and the GEM Listing Rules.

The Financial Information has been prepared under the historical cost convention. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in the preparation of the Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

3.2 Impact of issued but not yet effective Hong Kong Financial Reporting Standards ("HKFRSs")

For the purposes of preparing and presenting Financial Information, the Company has adopted all HKFRSs issued by the HKICPA which are effective for annual period beginning on 1 January 2015 consistently throughout the Track Record Period.

At the date of this report, the HKICPA has issued the following new or revised HKFRSs that have been issued but are not yet effective and are potentially relevant to the Group, and have not been adopted early by the Group.

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

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

2 Effective for annual periods beginning on or after 1 January 2017

3 Effective for annual periods beginning on or after 1 January 2018

Amendments to HKAS 27 - Equity Method in Separate Financial Statements

The amendments allow an entity to apply the equity method in accounting for its investments in subsidiaries, joint ventures and associates in its separate financial statements.

HKFRS 9 (2014) - Financial Instruments

HKFRS 9 introduces new requirements for the classification and measurement of financial assets. Debt instruments that are held within a business model whose objective is to hold assets in order to collect contractual cash flows (the business model test) and that have contractual terms that give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding (the contractual cash flow characteristics test) are generally measured at amortised cost. Debt instruments that meet the contractual cash flow characteristics test are measured at fair value through other comprehensive income (“FVTOCI”) if the objective of the entity’s business model is both to hold and collect the contractual cash flows and to sell the financial assets. Entities may make an irrevocable election at initial recognition to measure equity instruments that are not held for trading at FVTOCI. All other debt and equity instruments are measured at financial assets at fair value through profit and loss (“FVTPL”).

HKFRS 9 includes a new expected loss impairment model for all financial assets not measured at FVTPL replacing the incurred loss model in HKAS 39 and new general hedge accounting requirements to allow entities to better reflect their risk management activities in financial statements.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 10 and HKAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors’ interests in the joint venture or associate.

HKFRS 15 - Revenue from Contracts with Customers

The new standard establishes a single revenue recognition framework. The core principle of the framework is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. HKFRS 15 supersedes existing revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and related interpretations.

HKFRS 15 requires the application of a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to each performance obligation
- Step 5: Recognise revenue when each performance obligation is satisfied

HKFRS 15 includes specific guidance on particular revenue related topics that may change the current approach taken under HKFRSs. The standard also significantly enhances the qualitative and quantitative disclosures related to revenue.

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application but is not yet in a position to state whether these new and revised HKFRSs would have a significant impact on the Group's results of operations and financial position.

3.3 Business combination and basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries (see note 3.4 below) made up to 31 December each year. Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intercompany transactions, balances and unrealised gains and losses on transactions within the Group are eliminated on consolidation. Unrealised losses resulting from intercompany transaction are also eliminated unless the transaction provides evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's

identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by another HKFRS. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments, in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if these results in those non-controlling interests having a deficit balance.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

3.4 Subsidiaries

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present:

- power over the investee;
- exposure, or rights, to variable returns from the investee; and
- the ability to use its power to affect those variable returns.

Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

In the Company's statement of financial position, investment in a subsidiary is stated at cost less impairment loss, if any. The results of the subsidiary are accounted for by the Company on the basis of dividends received and receivable.

3.5 Joint arrangements

The Group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The Group classifies its interests in joint arrangements as either:

- Joint ventures: where the Group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the Group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

Associates are accounted for using the equity method whereby they are initially recognised at cost and thereafter, their carrying amounts are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associates are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associates. The investor's share in the associates' profits and losses resulting from these transactions is eliminated against the carrying value of the associates. Where unrealised losses provide evidence of impairment of the asset transferred they are recognised immediately in profit or loss.

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.

3.6 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other costs, such as repairs and maintenance are recognised as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their cost net of expected residual value over their estimated useful lives on a straight-line basis. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Leasehold improvements	5 years, or over the term of leases, whichever is shorter
Furniture, fixtures and office equipment	5 years
Computers	3-5 years
Motor vehicle	3 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognised in profit or loss on disposal.

3.7 Intangible assets

(i) *Acquired intangible assets*

Intangible assets acquired separately are initially recognised at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

Amortisation is provided on a straight-line basis over their estimated useful lives as follows. Intangible assets with indefinite useful lives are carried at cost less any accumulated impairment losses. The amortisation expense is recognised in profit or loss and included in cost of services rendered.

Copyrights and Game licenses 2-4 years, or over the term of licenses

(ii) *Internally generated intangible assets (research and development costs)*

Expenditure on internally developed products is capitalized if it can be demonstrated that:

- it is technically feasible to develop the product for it to be used or sold;
- adequate resources are available to complete the development;
- there is an intention to complete and use or sell the product;
- the Group is able to use or sell the product;
- use or sale of the product will generate future economic benefits; and expenditure on the project can be measured reliably.

Capitalized development costs are amortised over the periods the Group expects to benefit from selling the products developed. The amortisation expense is recognised in profit or loss and included in cost of services rendered.

Development expenditure not satisfying the above criteria and expenditure on the research phase of internal projects are recognised in profit or loss as incurred.

(iii) *Impairment of intangible assets*

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually by comparing their carrying amounts with their recoverable amounts, irrespective of whether there is any indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Intangible assets with finite lives are tested for impairment when there is an indication that an asset may be impaired (see the accounting policies in respect of impairment losses for non-financial assets in note 3.8).

3.8 Impairment of non-financial assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- investment in a subsidiary;
- interests in joint ventures

If the recoverable amount (i.e. the greater of the fair value less costs to sell and value in use) of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

3.9 Financial Instruments

(i) *Financial assets*

The Group classifies its financial assets at initial recognition, depending on the purpose for which the asset was acquired. Financial assets at fair value through profit or loss are initially measured at fair value and all other financial assets are initially measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets. Regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (trade debtors), and also incorporate other types of contractual monetary assets. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method, less any identified impairment losses.

(ii) *Impairment loss on financial assets*

The Group assesses, at the end of each reporting period, whether there is any objective evidence that financial asset is impaired. Financial asset is impaired if there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Evidence of impairment may include:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- granting concession to a debtor because of debtor's financial difficulty;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation.

For loans and receivables, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. The carrying amount of financial asset is reduced through the use of an allowance account. When any part of financial asset is determined as uncollectible, it is written off against the allowance account for the relevant financial asset.

(iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, amounts due to related companies, are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Equity instruments*

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(vi) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKAS 39.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.

3.10 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

3.11 Cash and cash equivalents

For the purpose of the combined statements of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks, and other short term highly liquid investments with original maturity of three months or less when acquired.

3.12 Revenue and other income recognition

The Group is principally engaged in development, operation, publishing and distribution of online and mobile games.

The Group recognises revenue when it is probable that future economic benefits will flow to the Group, specific criteria have been met for each of the Group's revenue streams as described below and the revenue can be reliably measured. Revenue is recorded at the fair value of consideration received or receivable, net of any sale tax and discounts.

(i) *Operations of online and mobile games*

The Group operates both self-developed games and games licensed from third party game developers. The Group's games are free to play. Players can purchase game credits which are virtual currency for acquisition of in-game virtual items or purchase those in-game virtual items directly for better in-game experience. The Group sells prepaid game credits and in-game virtual items through its own game platform (the "GO Platform") and cooperates with various third party game distribution platforms and payment channels. These game distribution platforms include major online application stores (such as Apple Inc.'s App Store and Google Play installed in mobile telecommunications devices).

The Group has evaluated the respective roles and responsibilities of the Group, third-party game developers, third-party distribution platforms, third-party payment channels and third-party prepaid game credit distributors in the delivery of game experiences to the Paying Players ("Paying Players") in determining if the Group is acting as 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 takes primary responsibilities in the delivery of game experiences to the Paying Players, including the 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 operations of the games and thus records revenues on a gross basis. Payment to third-party game developers and service charges by third-party distribution platforms 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 games, the Group makes estimates of the discounts given to the Paying Players by the third-party distribution platforms and third-party prepaid game credit distributors based on available information and recorded such discounts as a deduction of revenue.

Paying Players purchase the game credits through the GO Platform and third-party distribution platforms' charging systems or through the Paying Players' accounts maintained with third party payment channels, or charging from the prepaid game credits they purchased. Third-party distribution platforms and third party payment channels collect the payment from the Paying Players and remit the cash net of commission charges which are pre-determined according to the relevant terms entered into between the Group and the third-party distribution platforms or third party payment channels.

Upon the sales of game credits or in-game virtual items, the Group typically has an implied obligation to provide the services which enable the game credits or in-game virtual items to be displayed, used or converted into other in-game virtual currencies / items in the games. As a result,

the proceeds received from sales of game credits or in-game virtual items are initially recorded as deferred income in current liabilities. The attributable portion of the deferred income relating to values of the game credits consumed and in-game virtual items converted are immediately or ratably recognised as revenue only when the services are rendered to the respective Paying Players.

For the purposes of determining when services have been provided to the respective Paying Players, the Group has determined the following:

Consumable in-game virtual items represent items that are extinguished after consumption by a specific game player action. The Paying Players will not continue to benefit from the in-game virtual items thereafter. Revenue is recognised (as a release from deferred income) when the items are consumed and the related services are rendered.

Durable in-game virtual items represent items that are accessible and beneficial to Paying Players over an extended period of time. Revenue is recognised ratably over the average life of durable in-game virtual items for the applicable game, which the Group makes best estimates to be average playing period of Paying Players ("Player Relationship Period").

The Group estimates the Player Relationship Period on a game-by-game basis and re-assesses such periods semi-annually. If there is insufficient data to determine the Player Relationship Period, such as in the case of a newly launched game, the Group estimates the Player Relationship Period based on other similar types of games developed by the Group or by third-party developers until the new game establishes its own patterns and history. The Group mainly considers the Paying Players' spending and consumption behavior in estimating the Player Relationship Period.

If the Group does not have the ability to differentiate revenue attributable to durable in-game virtual items from consumable in-game virtual items for a specific game, the Group recognises revenue for that game ratably over the Player Relationship Period.

(ii) *Game publishing services*

The Group provides publishing services through cooperation with other third party game developers or operators. The Group publishes these games on its own GO Platform.

The Group's game publishing income is pre-determined according to the relevant terms of the agreements entered into between the Group and the third party game developers or operators. The games published on the GO Platform are hosted, maintained, operated and updated independently by the third party game developers or operators. The Group mainly provides the Paying Players with access to the GO Platform and limited after-sales basic support to the Paying Players.

The Group has evaluated and determined that it is not the primary obligor in the services rendered and is therefore, acting as an agent in publishing these games. Accordingly, the Group recognises its revenue, net of the portion of sharing of revenue with the third party game developers or operators when the Paying Players purchase the game credits for the relevant games.

(iii) *Licensing and royalty income*

The Group licenses online and mobile games and other intellectual rights to third parties. Any fixed upfront licensing fee is recognised on a straight-line basis over the period of the license agreement. Royalty income from the licensing arrangements is recognised in accordance with the terms of agreements.

(iv) *Promotion and management fee income*

Promotion income and management fee income are recognised when the relevant services are rendered.

(v) *Interest income*

Interest income is accrued on a time-proportion basis using the effective interest method.

3.13 **Income tax**

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.

3.14 Foreign currency

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income, in which case, the exchange differences are also recognised in other comprehensive income.

On consolidation, income and expense items of foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollar) at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the rates approximating to those ruling when the transactions took place are used. All assets and liabilities of foreign operations are translated at the rate ruling at the end of reporting period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity as translation reserve (attributed to minority interests as appropriate). Exchange differences recognised in profit or loss of group entities' separate financial statements on the translation of long-term monetary items forming part of the Group's net investment in the foreign operation concerned are reclassified to other comprehensive income and accumulated in equity as translation reserve.

On disposal of a foreign operation, the cumulative exchange differences recognised in the translation reserve relating to that operation up to the date of disposal are reclassified to profit or loss as part of the profit or loss on disposal.

3.15 Leasing

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

As lessee

Assets held under finance leases are initially recognised as assets at fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

3.16 Employee benefits

(i) *Bonus*

The expected cost of bonus payment is recognised as a liability when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

(ii) *Defined contribution retirement plan*

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity.

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. The Group has no legal or constructive obligations to pay further contributions after payment of the fixed contribution. Contributions are made based on a percentage of the employees' basic salaries to the maximum mandatory contributions as required by the MPF Scheme. Liabilities and assets may be recognised if underpayment or prepayment has occurred and are included in current liabilities or current assets, respectively, as they are normally of a short-term nature. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Contributions to defined contribution retirement plans are recognised as an expense in profit or loss when the services are rendered by the employees.

(iii) *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.17 Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, which will probably result in an outflow of economic benefits that can be reliably estimated.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.18 Related parties

A party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) the entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) both entities are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third party and the other party is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a); and
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;

- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.

3.19 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's line of business.

The measurement policies the Group uses for reporting segment results under HKFRS 8 Operating Segments are the same as those used in its financial statements prepared under HKFRSs.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are used in preparing financial statements 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.

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 discussed below:

Estimates of the Player Relationship Period

As described in note 3.12, the Group recognises revenue from durable in-game 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 basis. Any adjustments arising from changes in the Player Relationship Period as a result of new information will be accounted for prospectively as a change in accounting estimate.

Recognition of deferred income

Revenue from game operation income is recognised based on the usage of the relevant game credits. Income received in respect of unutilised game credits arising from unused game credits are recognised as deferred income. Game operation income received is net of discounts given to certain distribution channels. In respect of the amount of deferred income arising from unutilised game credits, management's estimation is required in determining the average sales value of these unutilised game credits as discounts given are different for different sales channels.

Revenue deferred of certain games

As mentioned in note 3.12, in the case the Group does not possess relevant data and information to differentiate revenues attributable to consumable and durable in-game virtual items of a specific game, revenues from both consumable and durable in-game virtual items are deferred and recognised ratably over the expected Player Relationship Period of the specific game.

Impairment of non-financial assets

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

Impairment of receivables

Management determines impairment of receivables on a regular basis. This estimate is based on the credit history of its customers and debtors, past default experience and the current market conditions. Management reassesses the impairment at the reporting date.

5. SEGMENT INFORMATION

An operating segment is a component of the Group that is engaged in business activities from which the Group may earn revenue and incur expenses, and is defined on the basis of the internal management reporting information that is provided to and regularly reviewed by the executive directors in order to allocate resources and assess performance of the segment. For the Track Record Period, executive directors regularly review revenue and operating results derived from development, operation, publishing and distribution of online and mobile games and consider as one single operating segment.

The Company is an investment holding company and the principal place of the Group's operation is in Hong Kong. For the purpose of segment information disclosures under HKFRS 8, the Group regarded Hong Kong as its country of domicile.

Geographical Information

The following table sets out information about the geographical location of the Group's revenue. The geographical location from which the Group derives revenue is based on the location at which the services are provided.

	For the year ended		For the six months ended	
	31 December		30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
By country / region				
Hong Kong	58,217	66,908	31,645	63,404
Taiwan	9,013	10,759	4,714	5,826
Others	1,603	1,001	973	195
	<u>68,833</u>	<u>78,668</u>	<u>37,332</u>	<u>69,425</u>

Information about major customers

There is no single customer contributed to 10% or more of the Group's revenue for the Track Record Period.

6. REVENUE AND OTHER INCOME

An analysis of the revenue from the Group's principal activities (note 1), which is also the Group's turnover, and other income are as follows:

	For the year ended		For the six months ended	
	31 December		30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Revenue				
Game operation income	64,644	74,589	33,973	68,102
Game publishing income	2,420	2,610	2,327	608
Royalty income	1,769	1,054	973	81
License fee income	—	415	59	634
	<u>68,833</u>	<u>78,668</u>	<u>37,332</u>	<u>69,425</u>
Other income				
Interest income	10	7	4	2
Promotion income	23	117	78	—
Management fee income	—	108	36	72
Exchange gain	—	680	620	—
Other income	303	191	171	7
	<u>336</u>	<u>1,103</u>	<u>909</u>	<u>81</u>
	<u>69,169</u>	<u>79,771</u>	<u>38,241</u>	<u>69,506</u>

7. (LOSS) / PROFIT BEFORE INCOME TAX

(Loss) / profit before income tax is arrived at after charging/ (crediting):

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
<i>Under Cost of services rendered:</i>				
Cost of inventories recognised as expenses	228	236	133	54
Amortisation of intangible assets	6,748	5,172	2,696	3,478
Royalty expenses	15,188	17,564	7,918	14,788
<i>Under administrative expenses:</i>				
Auditor's remuneration	225	232	112	409
Exchange losses, net	606	—	—	5
Operating lease charges	1,814	2,142	1,045	1,093
Listing expenses	—	—	—	4,352
<i>Under other expenses:</i>				
Impairment on intangible assets	10,636	368	89	—
Written off of prepayment and receivables	714	75	44	22
Written off of amount due from a joint venture	2,676	—	—	—
Loss on disposal of property, plant and equipment	—	172	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation of property, plant and equipment				
- under cost of services rendered	2,579	1,425	732	616
- under administrative expenses	859	550	351	89
	<u>3,438</u>	<u>1,975</u>	<u>1,083</u>	<u>705</u>
Staff costs excluding directors' remuneration (note 11):				
- Salaries and allowances	11,680	11,025	5,307	5,844
- Retirement scheme contributions	1,259	1,122	316	431
- Discretionary bonuses	587	413	673	600
	<u>13,526</u>	<u>12,560</u>	<u>6,296</u>	<u>6,875</u>

According to HKAS 38, research and development costs should comprise all expenditure that is directly attributable to research or development activities. As the development teams of the Company not only handle research and development aspects, the cost of research and development were included in the relevant expenses items, including depreciation of approximately \$148,000, \$92,000, \$54,000 and \$29,000 and salaries of approximately \$3,813,000, \$3,846,000, \$1,614,000 and \$1,975,000 for the two years ended 31 December 2013 and 2014 and six months ended 30 June 2014 and 2015, respectively.

8. INCOME TAX EXPENSE

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Current tax - Hong Kong Profits Tax				
- Tax for the year / period	1,271	2,450	1,332	3,014
- Under provision in prior years	5	516	516	—
	1,276	2,966	1,848	3,014
Current tax - PRC Tax				
- Tax for the year / period	17	21	13	—
	1,293	2,987	1,861	3,014
Deferred tax (note 20)	(266)	43	(4)	56
Income tax expense	1,027	3,030	1,857	3,070

No provisions for Hong Kong Profits Tax were made by the Company, Gameone Inc., Gameone.com Inc., Gameone Agency and G9 as they did not derive any assessable profit in Hong Kong during the Track Record Period.

No Profits Tax for the Taiwan branch has been provided as the Taiwan branch has not generated any tax assessable profits in Taiwan for the Track Record Period.

A provision for Hong Kong Profits Tax was made at the rate of 16.5% on the Group's estimated assessable profit derived in Hong Kong for each of the financial years during the Track Record Period.

A provision for PRC Enterprise Income Tax was made at the rate of 25% on the Group's estimated assessable profit derived in PRC for each of the financial years during the Track Record Period.

Reconciliation between income tax expense and accounting profit at applicable tax rate is as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
(Loss) / profit before income tax	<u>(8,564)</u>	<u>10,075</u>	<u>7,942</u>	<u>13,471</u>
Tax on (loss) / profit before income tax, calculated at rates applicable to profits in the tax jurisdictions concerned	(1,746)	1,456	1,239	2,147
Tax effect of non-deductible expenses	502	645	289	53
Tax effect of non-taxable revenue	(215)	(790)	(520)	(38)
Tax effect of tax losses not recognised	2,105	1,210	372	984
Tax effect of temporary differences not recognised	400	28	44	(46)
Under provision in prior years	5	516	516	—
Others	<u>(24)</u>	<u>(35)</u>	<u>(83)</u>	<u>(30)</u>
Income tax expense	<u>1,027</u>	<u>3,030</u>	<u>1,857</u>	<u>3,070</u>

9. DIVIDENDS

No dividends have been paid or declared by the Company or any of the subsidiaries during the Track Record Period.

10. EARNINGS PER SHARE

Earnings per share information is not presented as its inclusion, for the purpose of this Financial Information, is not considered meaningful due to the Reorganisation, and the presentation of the results of the Group for the Track Record Period on a combined basis as disclosed in note 2.2 above.

11. REMUNERATION OF DIRECTORS AND EMOLUMENTS OF EMPLOYEES

Directors' remuneration

The aggregate amounts of remuneration paid and payable to directors of the Company during the Track Record Period are as follows:

	Fees	Salaries, allowances and benefits in kind	Discretionary bonus	Retirement benefit costs	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2013					
<i>Executive directors:</i>					
Sze Yan Ngai	—	494	1,000	15	1,509
Lam Kin Fai	—	403	80	15	498
<i>Non-Executive directors:</i>					
Wong Pui Yin	—	—	—	—	—
Hong Ming Sang	—	45	—	—	45
	—	942	1,080	30	2,052
Year ended 31 December 2014					
<i>Executive directors:</i>					
Sze Yan Ngai	—	824	800	17	1,641
Lam Kin Fai	—	446	127	17	590
<i>Non-Executive directors:</i>					
Wong Pui Yin	—	—	—	—	—
Hong Ming Sang	—	386	—	19	405
	—	1,656	927	53	2,636
Six months ended 30 June 2014 (Unaudited)					
<i>Executive directors:</i>					
Sze Yan Ngai	—	364	400	8	772
Lam Kin Fai	—	201	64	8	273
<i>Non-Executive directors:</i>					
Wong Pui Yin	—	—	—	—	—
Hong Ming Sang	—	180	—	8	188
	—	745	464	24	1,233
Six months ended 30 June 2015					
<i>Executive directors:</i>					
Sze Yan Ngai	—	444	—	9	453
Lam Kin Fai	—	222	—	9	231
<i>Non-Executive directors:</i>					
Wong Pui Yin	—	—	—	—	—
Hong Ming Sang	—	180	—	9	189
	—	846	—	27	873

The Company did not have any independent non-executive directors at anytime during the Track Record Period.

There was no arrangement under which a director waived or agreed to waive any remuneration during the Track Record Period.

Five highest paid individuals

Of the five highest paid individuals with the highest emoluments in the Group, there were directors of the Company, Mr. Sze, Mr. Lam and Mr. Hong whose remuneration is reflected in the analysis presented above for the Track Record Period. Details of remuneration of the remaining two individuals for the Track Record Period are as follows:

	For the year ended 31 December		For the six months ended 30 June	
	2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
			(Unaudited)	
Salaries, allowances and benefits in kind	823	626	286	317
Discretionary bonus	97	73	36	—
Retirement benefits defined contribution plans	39	28	14	17
Total	<u>959</u>	<u>727</u>	<u>336</u>	<u>334</u>

The remuneration paid to each of the above individuals for the Track Record Period fell within the following bands:

	Number of the individuals for the year ended 31 December		Number of the individuals for the six months ended 30 June	
	2013	2014	2014	2015
			(Unaudited)	
Nil-HK\$1,000,000	<u>2</u>	<u>2</u>	<u>2</u>	<u>2</u>

No emolument was paid by the Group to the directors or any of the five highest paid individuals as an inducement to join or upon joining the Group, or compensation for loss of office.

Senior management's emoluments

The emoluments paid or payable to members of senior management for the Track Record Period fell within the following bands:

	Number of the individuals for the year ended 31 December		Number of the individuals for the six months ended 30 June	
	2013	2014	2014	2015
	(Unaudited)			
Nil-HK\$1,000,000	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements	Furniture, fixtures and office equipment	Computers	Motor vehicle	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2013					
Opening net carrying amount	287	302	4,192	374	5,155
Additions	—	44	992	—	1,036
Depreciation	(104)	(129)	(3,026)	(179)	(3,438)
Exchange adjustment	8	5	(25)	—	(12)
Closing net carrying amount	<u>191</u>	<u>222</u>	<u>2,133</u>	<u>195</u>	<u>2,741</u>
As at 31 December 2013					
Cost	796	1,105	14,495	701	17,097
Accumulated depreciation	<u>(605)</u>	<u>(883)</u>	<u>(12,362)</u>	<u>(506)</u>	<u>(14,356)</u>
Net carrying amount	<u>191</u>	<u>222</u>	<u>2,133</u>	<u>195</u>	<u>2,741</u>
Year ended 31 December 2014					
Opening net carrying amount	191	222	2,133	195	2,741
Additions	—	21	1,416	—	1,437
Depreciation	(78)	(102)	(1,615)	(180)	(1,975)
Disposal	(113)	(59)	—	—	(172)
Derecognition of a subsidiary	—	—	(25)	—	(25)
Exchange adjustment	—	4	(40)	—	(36)
Closing net carrying amount	<u>—</u>	<u>86</u>	<u>1,869</u>	<u>15</u>	<u>1,970</u>
As at 31 December 2014					
Cost	156	342	15,040	701	16,239
Accumulated depreciation	<u>(156)</u>	<u>(256)</u>	<u>(13,171)</u>	<u>(686)</u>	<u>(14,269)</u>
Net carrying amount	<u>—</u>	<u>86</u>	<u>1,869</u>	<u>15</u>	<u>1,970</u>
Six months ended 30 June 2015					
Opening net carrying amount	—	86	1,869	15	1,970
Additions	—	62	750	—	812
Depreciation	—	(25)	(665)	(15)	(705)
Exchange adjustment	—	—	11	—	11
Closing net carrying amount	<u>—</u>	<u>123</u>	<u>1,965</u>	<u>—</u>	<u>2,088</u>
As at 30 June 2015					
Cost	156	405	15,866	701	17,128
Accumulated depreciation	<u>(156)</u>	<u>(282)</u>	<u>(13,901)</u>	<u>(701)</u>	<u>(15,040)</u>
Net carrying amount	<u>—</u>	<u>123</u>	<u>1,965</u>	<u>—</u>	<u>2,088</u>

13. INTANGIBLE ASSETS

	HK\$'000
As at 31 December 2012	
Cost	40,685
Accumulated amortisation	<u>(14,579)</u>
Closing net carrying amount	<u>26,106</u>
Year ended 31 December 2013	
Opening net carrying amount	26,106
Additions	3,222
Amortisation	(6,748)
Impairment	<u>(10,636)</u>
Closing net carrying amount	<u>11,944</u>
As at 31 December 2013	
Cost	37,779
Accumulated amortisation	<u>(25,835)</u>
Closing net carrying amount	<u>11,944</u>
Year ended 31 December 2014	
Opening net carrying amount	11,944
Additions	11,672
Amortisation	(5,172)
Impairment	<u>(368)</u>
Closing net carrying amount	<u>18,076</u>
As at 31 December 2014	
Cost	45,959
Accumulated amortisation	<u>(27,883)</u>
Closing net carrying amount	<u>18,076</u>
Six months ended 30 June 2015	
Opening net carrying amount	18,076
Additions	5,963
Amortisation	<u>(3,478)</u>
Closing net carrying amount	<u>20,561</u>
As at 30 June 2015	
Cost	51,922
Accumulated amortisation	<u>(31,361)</u>
Closing net carrying amount	<u>20,561</u>

The intangible assets mainly represented copyrights and licenses with finite useful life, being measured initially at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

During the years ended 31 December 2013 and 2014, impairment loss of approximately HK\$10,636,000 and HK\$368,000 was recognised, respectively which represented the write-down of development cost and license fee paid for certain games operated by the Group to the recoverable amounts as a result of number of Paying Players of certain games launched not achieving expected level. The impairment loss was recognised in the combined statement of profit and loss and other comprehensive income as other expenses. The recoverable amounts have been determined with reference to the value-in-use calculations based on cash flow projections from approved budgets covering a period of three years which is the expected useful life of these games estimated by the management. Budgeted gross margin is determined based on the past performance on similar games and management's expectations for market development. The discount rate used is pre-tax rate of approximately 13%. The development / operation of these games has been ceased in 2013 and 2014 due to efficient use of the Group's resource to other games.

14. INVENTORIES

The inventories were carried at lower of cost and net realisable value and represent principally game credits cards and game packs which are to be utilised in the ordinary course of operations.

15. TRADE RECEIVABLES

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Trade receivables	8,776	7,264	9,702
Less: Allowance for impairment	—	—	—
	8,776	7,264	9,702

The Group normally allows credit period within 60 days to its trade debtors. At each reporting date the Group reviews receivables for evidence of impairment on both an individual and collective basis.

The ageing analysis of trade receivables (net of impairment losses) based on the month-end dates of the month in which the transaction completed, as at the end of the reporting periods is as follows:

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
0 - 30 days	5,431	4,994	6,666
31 - 60 days	3,099	2,109	2,909
Over 60 days	246	161	127
	<u>8,776</u>	<u>7,264</u>	<u>9,702</u>

The ageing analysis of trade receivables (net of impairment losses), based on past due date, as at the end of the reporting periods is as follows:

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Neither past due nor impaired	8,316	6,924	9,346
0-30 days	332	277	136
31-60 days	94	33	160
Over 60 days	34	30	60
	<u>8,776</u>	<u>7,264</u>	<u>9,702</u>

Trade receivables that were neither past due nor impaired and that were past due but not impaired related to a number of trade debtors that the Group had continuing business relationships with these parties including transactions and settlements from these parties in general, in the opinion of the directors, has no indication of default. Based on past credit history, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered to be fully recoverable. The Group did not hold any collateral in respect of trade receivables past due but not impaired.

At each reporting date, the Group reviews receivables for evidence of impairment on both individual and collective basis. During the years ended 31 December 2013, 2014 and the six months ended 30 June 2015, the Group has written off trade receivables of HK\$108,000, HK\$75,000 and HK\$22,000 directly to the profit or loss for the year / period (note 7). None of the trade receivables as at 31 December 2013 and 2014 and 30 June 2015 have been identified by the Group as having an impairment issue.

The directors consider that the carrying amounts of trade receivables approximate their fair value.

16. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Prepayments	3,547	4,154	8,595
Deposits	457	556	623
Other receivables	323	350	143
	<u>4,327</u>	<u>5,060</u>	<u>9,361</u>

17. TRADE PAYABLES

The Group's trade payables mainly due to its suppliers were aged within 30 days, based on invoice date.

18. ACCRUED EXPENSES, OTHER PAYABLES AND DEFERRED INCOME

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Accrued expenses	3,597	3,042	7,386
Other payables	2,354	1,536	2,796
Receipt in advance	378	937	894
	<u>6,329</u>	<u>5,515</u>	<u>11,076</u>
Deferred income	<u>11,758</u>	<u>12,037</u>	<u>15,889</u>
	<u>18,087</u>	<u>17,552</u>	<u>26,965</u>

The directors consider that the carrying amounts of accrued expenses and other payables approximate their fair values.

19. AMOUNT DUE FROM / (TO) RELATED COMPANIES

(a) Amounts due from related companies

	Note	As at 31 December		As at 30 June
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
ongameshow.com Limited	(i)	1,361	1,208	1,280
Shenzhen City Taiao Interactive Technology Limited (深圳市泰傲互動科技有限公司)	(i)	—	—	32
		<u>1,361</u>	<u>1,208</u>	<u>1,312</u>

(i) The balance is non-trade in nature, unsecured, interest-free and repayable on demand.

(b) Amounts due to related companies

	Notes	As at 31 December		As at 30 June
		2013	2014	2015
		HK\$'000	HK\$'000	HK\$'000
Nineyou International Limited	(i)	65	80	21
Nineyou International (Hong Kong) Limited	(ii)	386	—	—
Nineyou Information Technology (Shanghai) Limited	(iii)	<u>104</u>	<u>142</u>	<u>37</u>
		<u>555</u>	<u>222</u>	<u>58</u>

(i) The company is a shareholder of the Company. The amount related to game publishing services provided by the Group. It was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

(ii) The company is a subsidiary of Nineyou International Limited. The amount related to game operation of the Group. It was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

(iii) The company is a subsidiary of Nineyou International Limited. The amount related to game publishing services provided by the Group. It was trade in nature, unsecured, interest-free and has no fixed terms of repayment.

20. DEFERRED TAXATION

Details of deferred tax liabilities recognised and movements thereon during the year are as follows:

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Accelerated tax depreciation			
At beginning of year / period	387	121	164
Charge for the year / period (note 8)	(266)	43	56
At ending of year / period	<u>121</u>	<u>164</u>	<u>220</u>

As at 31 December 2013, 2014 and 30 June 2015, the Taiwan branch has unused tax losses of approximately HK\$9,555,000, HK\$10,153,000 and HK\$10,787,000 available for offset against future taxable profits in Taiwan. No deferred tax assets have been recognised in respect of these tax losses due to the unpredictability of future profit streams. These tax losses can be carried forward for a period of 10 years.

21. SHARE CAPITAL

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 14 April 2010. At the date of incorporation, the authorised share capital of the Company was HK\$30,000 divided into 3,000,000 ordinary shares of HK\$0.01 each. One share of HK\$0.01 in the share capital was issued and allotted fully paid to the initial subscribing shareholder and such fully paid subscriber share was transferred to Mr. Sze on 14 April 2010.

The companies in the Group underwent the Reorganisation in preparation for the listing of shares of the Company on the GEM of the Stock Exchange. Further details of the Reorganisation are set out in the paragraphs headed "Reorganization" in the "History, Reorganization and Structure of our Group" section to the Prospectus.

22. RESERVES

Details of the movements on the Group's reserves are as set out in the combined statements of changes in equity of this report.

Capital reserve

Capital reserve represents the nominal value of the share capital of Gameone Inc. and settlement balances upon the transfer of the Non-core Business arising from the Reorganisation as detailed in note 2 above.

Other reserve

Other reserve mainly represents the difference between the investment cost and the carrying amounts of net assets of a former subsidiary acquired by the Group during a reorganisation in 2010 and consideration paid in respect of share repurchase by Gameone Inc. in April 2012.

23. RELATED PARTY TRANSACTIONS

(a) During the Track Record Period, the Group entered into the following transactions:

	Notes	For the year ended 31 December		For the six months ended 30 June	
		2013 HK\$'000	2014 HK\$'000	2014 HK\$'000	2015 HK\$'000
Amortisation of license fee paid to:					
Nineyou International (Hong Kong) Limited	(i)	232	—	—	—
Royalty expense paid to:					
Nineyou International (Hong Kong) Limited	(ii)	437	1	1	—
Game publishing income received from:					
Nineyou Information Technology (Shanghai) Company Limited	(iii)	1,918	914	487	245
Advertising expenses paid to:					
Onegameshow.com Limited	(iv)	45	—	—	—
Management fee received from:					
Onegameshow.com Limited	(iv)	—	108	36	72
Management fee paid to:					
PC Investment Limited	(v)	150	—	—	—
Promotion income received from:					
Innovation Power	(vi)	9	—	—	—
Advertising expenses paid to:					
Innovation Power	(vi)	<u>733</u>	<u>860</u>	<u>221</u>	<u>2,306</u>

Notes:

- (i) License fee paid to Nineyou International (Hong Kong) Limited, a subsidiary of Nineyou International Limited, for the licensed games has been amortised according to the licensing period. The license fee paid was determined and agreed by both parties.
- (ii) Royalty expense was paid to Nineyou International (Hong Kong) Limited abovementioned, for profit sharing of the licensed games. The royalty paid was determined and agreed by both parties.
- (iii) Game publishing income was received from Nineyou Information Technology (Shanghai) Company Limited, a subsidiary of Nineyou International Limited, for sales of game. The game publishing income was determined and agreed by both parties.
- (iv) Advertising expenses were paid to ongameshow.com Limited, a related company, for the advertisements posted in the magazines. Management fee was received for sharing of office resources. The advertising expenses paid and management fee received were determined and agreed by both parties.
- (v) Management fee was paid to PC Investment Limited, the holding company of the Group, for provision of management service to a subsidiary. The management fee paid was determined and agreed by both parties.
- (vi) Promotion income was received from Innovation Power, its owner is brother of the Company's shareholder and director, for the promotion activities in websites during the year. Advertising expenses was paid for the advertisements posted in the multimedia. The promotion income received and advertising fee paid were determined and agreed by both parties.

(b) Compensation of key management personnel

	For the year ended		For the six months ended	
	31 December		30 June	
	2013	2014	2014	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Unaudited)	
Total remuneration of directors and other members of key management during the years/periods was as follows:				
Fees, salaries, staff welfare benefits and discretionary bonus (short-term employee benefits)	2,794	3,440	1,614	1,292
Defined contribution plans (post employment benefits)	64	111	53	60
	<u>2,858</u>	<u>3,551</u>	<u>1,667</u>	<u>1,352</u>

24. OPERATING LEASE COMMITMENTS

Future minimum lease payments under a non-cancellable operating lease in respect of rented premise are payable as follows:

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Within one year	1,255	1,755	2,120
In the second to fifth years	<u>41</u>	<u>1,264</u>	<u>792</u>
	<u>1,296</u>	<u>3,019</u>	<u>2,912</u>

The Group leased certain premises under operating leases. The leases run for an initial period of two to three years, with an option to renew the lease terms at the expiry dates or at dates mutually agreed between the Group and the respective landlords. None of the leases include contingent rentals.

25. CAPITAL COMMITMENTS

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Contracted but not provided for			
- Acquisition of intangible assets	<u>566</u>	<u>3,429</u>	<u>1,075</u>

26. FINANCIAL RISK MANAGEMENT

The Group does not have written risk management policies and guidelines. However, the management meets periodically to analyse and formulate strategies to manage the Group's exposure to market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. Generally, the Group employs conservative strategies regarding its risk management. As the Group's exposure to market risk is kept to minimum level, the Group has not used any derivatives or other financial instruments for hedging purposes.

The Group does not engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed to are described below.

Categories of financial assets and liabilities

The carrying amounts of the Group's financial assets and liabilities recognised in the combined statements of financial position at the reporting date may also be categorised as follows (see note 3.9 for explanations on how the category of financial instruments affects their subsequent measurement):

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Financial assets			
Current			
Loans and receivables:			
Trade receivables	8,776	7,264	9,702
Deposits and other receivables	780	906	766
Amount due from related companies	1,361	1,208	1,312
Cash at banks and in hand	<u>36,362</u>	<u>37,562</u>	<u>52,682</u>
	<u>47,279</u>	<u>46,940</u>	<u>64,462</u>

	As at 31 December		As at 30 June
	2013	2014	2015
	HK\$'000	HK\$'000	HK\$'000
Financial liabilities			
Current			
Financial liabilities at amortised cost:			
Trade payables	3,836	1,963	4,129
Accrued expenses and other payables	6,329	5,515	11,076
Amount due to related companies	<u>555</u>	<u>222</u>	<u>58</u>
	<u>10,720</u>	<u>7,700</u>	<u>15,263</u>

Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Group's exposures to currency risk arise mainly from its overseas income or payment on royalty and license fee, which are primarily denominated in US dollar, Japanese Yen or Renminbi. These are not the functional currencies of the Group's major entities to which these transactions related. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As the Group does not have significant exposure to foreign currency risk, the Group's income and operating cash flows are substantially independent of changes in foreign currency exchange rates.

Interest rate risk

The Group and the Company do not have any interest-bearing borrowings. The Group's and the Company's exposure to changes in interest rates primarily arises from bank deposits. The Group currently does not have any interest rate hedging policy. However, the directors monitor interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

The directors are of the opinion that the sensitivity of the Group's profit for the year to the reasonably possible change in interest rates in the next twelve months is low.

Credit risk

Credit risk arises from the possibility that the counterparty to a transaction is unwilling or unable to fulfill its obligation with the results that the Group thereby suffers financial loss. The Group and the Company are exposed to credit risk in respect of its trade receivables, other receivables and bank balances.

The Group monitors the trade receivables on an ongoing basis and only trades with creditworthy parties. The credit risk on liquid funds is low because the counterparties are major banks with high credit-ratings. The Group and the Company are subject to concentration of credit risk since majority of its trade receivables are due from a limited number of distributors through which it earns its online game revenue.

Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of accrued expenses and other payables, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets to meet its liquidity requirements in the short and longer term.

The liquidity policies have been followed by the Group during the Track Record Period and are considered by the directors to have been effective in managing liquidity risks.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2013 and 2014 and 30 June 2015. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in installments, each installment is allocated to the earliest period in which the Group is committed to pay.

As at 31 December 2013

	Within 3	More than 3	Total		Carrying amount
	months or on demand	months but less than 1 year	Over 1 year	Undiscounted amount	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	3,836	—	—	3,836	3,836
Accrued expense and other payables	6,329	—	—	6,329	6,329
Amount due to related companies	555	—	—	555	555
	<u>10,720</u>	<u>—</u>	<u>—</u>	<u>10,720</u>	<u>10,720</u>

As at 31 December 2014

	Within 3	More than 3	Total		Carrying amount
	months or on demand	months but less than 1 year	Over 1 year	Undiscounted amount	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	1,963	—	—	1,963	1,963
Accrued expense and other payables	5,515	—	—	5,515	5,515
Amount due to related companies	222	—	—	222	222
	<u>7,700</u>	<u>—</u>	<u>—</u>	<u>7,700</u>	<u>7,700</u>

As at 30 June 2015

	Within 3	More than 3	Total		Carrying amount
	months or on demand	months but less than 1 year	Over 1 year	Undiscounted amount	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	4,129	—	—	4,129	4,129
Accrued expense and other payables	11,076	—	—	11,076	11,076
Amount due to related companies	58	—	—	58	58
	<u>15,263</u>	<u>—</u>	<u>—</u>	<u>15,263</u>	<u>15,263</u>

The Group's policy is to monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities to meet its liquidity requirements in the short and long term.

27. CAPITAL MANAGEMENT

The Group's capital management objectives include:

- (i) to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for owners and benefits for other stakeholders;
- (ii) to support the Group's stability and growth; and
- (iii) to provide capital for the purpose of strengthening the Group's risk management capability.

The Group actively and regularly reviews and manages its capital structure to ensure optimal capital structure and shareholder's returns, taking into consideration the future capital requirements of the Group and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities.

Management regards total equity as capital. The amount of capital as at 31 December 2013 and 2014 and 30 June 2015 amounted to approximately HK\$43,408,000, HK\$51,097,000, and HK\$61,141,000, respectively, which the management considers as optimal having consider the projected capital expenditures and the projected strategic investment opportunities.

28. CONTINGENT LIABILITIES

At the end of each of the years/periods during the Track Record Period, the Group did not have any significant contingent liabilities.

29. SUBSEQUENT EVENTS

The companies in the Group underwent the Reorganisation in preparation for the listing of shares of the Company on the GEM of the Stock Exchange. Further details of the Reorganisation are set out in the paragraphs headed “Reorganization” in the “History, Reorganization and Structure of our Group” section to the Prospectus.

Save as disclosed above and elsewhere in this report, no other significant events took place subsequent to 30 June 2015.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to 30 June 2015.

Yours faithfully

BDO Limited

Certified Public Accountants

Tsui Ka Che, Norman

Practising Certificate number P05057

Hong Kong

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

The information set forth in this appendix does not form part of the Accountants' Report prepared by BDO Limited, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set out in Appendix I to this prospectus, and is included herein for illustrative purposes only.

For illustrative purpose, only the unaudited pro forma financial information prepared in accordance with paragraph 7.31 of the GEM Listing Rules is set forth below to provide the prospective investors with further information on how the Placing might have affected the net tangible assets of the Group attributable to owners of the Company after the completion of the Placing.

A. UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following is an illustrative and unaudited pro forma statement of adjusted combined net tangible assets prepared on the basis of the notes set out below for the purpose of illustrating the effect of the issue of Shares pursuant to the Placing on the net tangible assets of the Group attributable to owners of the Company as if the Placing had taken place on 30 June 2015. This unaudited pro forma statement of adjusted combined 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 combined net tangible assets of the Group attributable to owners of the Company had the Placing been completed as at 30 June 2015 or at any future dates.

	Audited combined net tangible assets attributable to the owners of the Company as at 30 June 2015	Estimated net proceeds from the issue of New Shares pursuant to the Placing	Unaudited pro forma adjusted combined net tangible assets attributable to the owners of the Company	Unaudited pro forma adjusted combined net tangible assets per Share
	HK\$'000 (note 1)	HK\$'000 (note 2)	HK\$'000	HK\$ (note 3)
Based on the Placing Price of HK\$1.00 per Share	<u>40,580</u>	<u>20,352</u>	<u>60,932</u>	<u>0.38</u>
Based on the Placing Price of HK\$1.50 per Share	<u>40,580</u>	<u>39,652</u>	<u>80,232</u>	<u>0.50</u>

Notes:

- (1) The audited combined net tangible assets of the Group attributable to owners of the Company as at 30 June 2015 is arrived at after deducting intangible assets of approximately HK\$20,561,000 from the audited combined net assets of approximately HK\$61,141,000 as at 30 June 2015, as shown in the Accountants' Report, the text of which is set out in Appendix I to this prospectus.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- (2) The estimated net proceeds from the issue of Shares pursuant to the Placing are based on the placing price of HK\$1.00 and HK\$1.50 per Share, being the lower end to higher end of the stated Placing Price range, respectively, after deduction of the underwriting fees and other related expenses (excluding listing related expenses of approximately HK\$4,352,000 which have been accounted for prior to 30 June 2015) payable by the Company. No account has been taken of the Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme.
- (3) The unaudited pro forma adjusted combined net tangible assets per Share is calculated based on 160,000,000 Shares in issue immediately following the completion of the Placing as set out in the “Share Capital” section to this prospectus had the Placing been completed on 30 June 2015, but takes no account of any Shares which may be issued upon the exercise of the Offer Size Adjustment Option or any options that may be granted under the Share Option Scheme or any Shares which may be allotted, issued or repurchase by our Company pursuant to the general mandates for the allotment and issue or repurchase of Shares.
- (4) The unaudited pro forma adjusted combined net tangible assets does not take into account the cash consideration of US\$387,600 (equivalent to approximately HK\$3,004,000) received on 27 August 2015 regarding the Pre-IPO Investment as described in the section headed “History, Reorganization and Structure of our Group” of this prospectus. Had the receipt of the Pre-IPO Investments been taken into account, the unaudited pro forma adjusted combined net tangible assets per Share would be HK\$0.40 per Share based on the Placing Price of HK\$1.00 per Share and HK\$0.52 per Share based on the Placing Price of HK\$1.50 per Share, respectively.
- (5) No adjustment has been made to the unaudited pro forma adjusted combined net tangible assets to reflect any trading results or other transactions of the Group enter into subsequent to 30 June 2015.

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

B. INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF PRO FORMA FINANCIAL INFORMATION

The following is the text of a report received from the independent reporting accountants of the Company, BDO Limited, Certified Public Accountants, Hong Kong, in respect of the unaudited pro forma financial information.



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香港干諾道中111號
永安中心25樓

The Directors
Gameone Holdings Limited

31 December 2015

Dear Sirs,

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Gameone Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) by the directors of the Company (the “Directors”) for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma combined net tangible assets as at 30 June 2015, and related notes as set out in Appendix II of the listing document issued by the Company (the “Unaudited Pro Forma Financial Information”). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are set out in Section A of Appendix II to the prospectus dated 31 December 2015 issued by the Company in connection with the listing of the Company’s shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of proposed placing of ordinary shares of the Company (the “Placing”) on the Group’s combined net tangible assets attributable to the owners of the Company as at 30 June 2015 as if the Placing had taken place on the same date. As part of this process, information about the Group’s financial position has been extracted by the Directors from the Group’s financial statements for the six months ended 30 June 2015 included in the Accountants’ Report as set out in Appendix I to the prospectus.

Directors’ responsibility for the Unaudited Pro Forma 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 “GEM Listing Rules”) and with reference to Accounting Guideline (“AG”) 7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”).

Our independence and quality control

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

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

Reporting accountants’ responsibilities

Our responsibility is to express an opinion, as required by paragraph 7.31(7) of the GEM 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 whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 “Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus” issued by the HKICPA. This standard requires that the reporting accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information, in accordance with paragraph 7.31 of the GEM Listing Rules and with reference to AG7 “Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars” issued by 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 the prospectus is solely to illustrate the impact of the listing of shares of the Company on unadjusted financial information of the Group as if 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 transaction as at 30 June 2015 would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and

APPENDIX II UNAUDITED PRO FORMA FINANCIAL INFORMATION

- The Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the transaction in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled 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 GEM Listing Rules.

Yours faithfully,

BDO Limited

Certified Public Accountants

Tsui Ka Che, Norman

Practising Certificate Number P05057

Hong Kong

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

SUMMARY OF THE CONSTITUTION OF THE COMPANY

1 Memorandum of Association

The Memorandum of Association of the Company was conditionally adopted on 23 December 2015 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 23 December 2015 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 HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(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 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

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 (or, if required by the GEM Listing Rules, his other 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;
- (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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

(g) *Remuneration*

The Directors shall be entitled to receive by way of remuneration for their services such sum as shall from time to time be determined by the Directors, or the Company in general meeting, as the case may be, such sum (unless otherwise directed by the resolution by which it is determined) to be divided amongst the Directors in such proportions and in such manner as they may agree, or failing agreement, equally, except that in such event any Director holding office for less than the whole of the relevant period in respect of which the remuneration is paid shall only rank in such division in proportion to the time during such period for which he has held office. Such remuneration shall be in addition to any other remuneration to which a Director who holds any salaried employment or office in the Company may be entitled by reason of such employment or office.

The Directors shall also be entitled to be paid all expenses, including travel expenses, reasonably incurred by them in or in connection with the performance of their duties as Directors including their expenses of travelling to and from board meetings, committee meetings or general meetings or otherwise incurred whilst engaged on the business of the Company or in the discharge of their duties as Directors.

The Directors may grant special remuneration to any Director who shall perform any special or extra services at the request of the Company. Such special remuneration may be made payable to such Director in addition to or in substitution for his ordinary remuneration as a Director, and may be made payable by way of salary, commission or participation in profits or otherwise as may be agreed.

The remuneration of an executive Director or a Director appointed to any other office in the management of the Company shall from time to time be fixed by the Directors and may be by way of salary, commission or participation in profits or otherwise or by all or any of those modes and with such other benefits (including share option and/or pension and/or gratuity and/or other benefits on retirement) and allowances as the Directors may from time to time decide. Such remuneration shall be in addition to such remuneration as the recipient may be entitled to receive as a Director.

(h) *Retirement, appointment and removal*

The Directors shall have power at any time and from time to time to appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed shall hold office only until the next general meeting of the Company and shall then be eligible for re-election at that meeting.

The Company may by ordinary resolution remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in the Articles of 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

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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;
- (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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class.

The special rights conferred upon the holders of shares of any class shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be varied by the creation or issue of further shares ranking *pari passu* therewith.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.5 *Alteration of capital*

The Company may, from time to time, whether or not all the shares for the time being authorised shall have been issued and whether or not all the shares for the time being issued shall have been fully paid up, by ordinary resolution, increase its share capital by the creation of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts as the resolution shall prescribe.

The Company may from time to time by ordinary resolution:

- (a) consolidate and divide all or any of its share capital into shares of a larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Directors may settle any difficulty which may arise as they think expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, and if it shall happen that any person shall become entitled to fractions of a consolidated share or shares, such fractions may be sold by some person appointed by the Directors for that purpose and the person so appointed may transfer the shares so sold to the purchaser thereof and the validity of such transfer shall not be questioned, and so that the net proceeds of such sale (after deduction of the expenses of such sale) may either be distributed among the persons who would otherwise be entitled to a fraction or fractions of a consolidated share or shares rateably in accordance with their rights and interests or may be paid to the Company for the Company's benefit;
- (b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Companies Law; and
- (c) sub-divide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association, subject nevertheless to the provisions of the Companies Law, and so that the resolution whereby any share is sub-divided may determine that, as between the holders of the shares resulting from such sub-division, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.

The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Companies Law.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

2.6 *Special resolution — majority required*

A “special resolution” is defined in the Articles of Association to have the meaning ascribed thereto in the Companies Law, for which purpose, the requisite majority shall be not less than three-fourths of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given and includes a special resolution approved in writing by all of the members of the Company entitled to vote at a general meeting of the Company in one or more instruments each signed by one or more of such members, and the effective date of the special resolution so adopted shall be the date on which the instrument or the last of such instruments (if more than one) is executed.

In contrast, an “ordinary resolution” is defined in the Articles of Association to mean a resolution passed by a simple majority of the votes of such members of the Company as, being entitled to do so, vote in person or, in the case of corporations, by their duly authorised representatives or, where proxies are allowed, by proxy at a general meeting held in accordance with the Articles of Association and includes an ordinary resolution approved in writing by all the members of the Company aforesaid.

2.7 *Voting rights*

Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting on a poll every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register of members of the Company.

Where any member is, under the 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 authorised in such circumstances to do so and such person may vote by proxy.

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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 recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its proxy(ies) or representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if it were an individual member of the Company holding the number and class of shares specified in such authorisation, including, where a show of hands is allowed, the right to vote individually on a show of hands.

2.8 *Annual general meetings*

The Company shall hold a general meeting as its annual general meeting each year, within a period of not more than 15 months after the holding of the last preceding annual general meeting (or such longer period as the Stock Exchange may authorise). The annual general meeting shall be specified as such in the notices calling it.

2.9 *Accounts and audit*

The Directors shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Companies Law.

The Directors shall from time to time determine whether, and to what extent, and at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of members of the Company (other than officers of the Company) and no such member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Companies Law or any other relevant law or regulation or as authorised by the Directors or by the Company in general meeting.

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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 every 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 shall be called by not less than 21 days' notice in writing and any extraordinary general meeting shall be called by not less than 14 days' notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place and agenda of the meeting, particulars of the resolutions and the general nature of the business to be considered at the meeting. The notice convening an annual general meeting shall specify the meeting as such, and the notice convening a meeting to pass a special resolution shall specify the intention to propose the resolution as a special resolution. Notice of every general meeting shall be given to the auditors and all members of the Company (other than those who, under the provisions of the Articles of Association or the terms of issue of the shares they hold, are not entitled to receive such notice from the Company).

Notwithstanding that a meeting of the Company is called by shorter notice than that mentioned above, it shall be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as an annual general meeting, by all members of the Company entitled to attend and vote thereat or their proxies; and
- (b) in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

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2.11 *Transfer of shares*

Transfers of shares may be effected by an instrument of transfer in the usual common form or in such other form as the Directors may approve which is consistent with the standard form of transfer as prescribed by the Stock Exchange.

The instrument of transfer shall be executed by or on behalf of the transferor and, unless the Directors otherwise determine, the transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register of members of the Company in respect thereof. All instruments of transfer shall be retained by the Company.

The Directors may refuse to register any transfer of any share which is not fully paid up or on which the Company has a lien. The Directors may also decline to register any transfer of any shares unless:

- (a) the instrument of transfer is lodged with the Company accompanied by the certificate for the shares to which it relates (which shall upon the registration of the transfer be cancelled) and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer;
- (b) the instrument of transfer is in respect of only one class of shares;
- (c) the instrument of transfer is properly stamped (in circumstances where stamping is required);
- (d) in the case of a transfer to joint holders, the number of joint holders to whom the share is to be transferred does not exceed four;
- (e) the shares concerned are free of any lien in favour of the Company; and
- (f) a fee of such amount not exceeding the maximum amount 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 10 business days' notice (or on 6 business days' notice in the case of a rights issue) 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

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closed at such times for such periods as the Directors may from time to time determine, provided that the registration of transfers shall not be suspended or the register closed for more than 30 days in any year (or such longer period as the members of the Company may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year).

2.12 Power of the Company to purchase its own shares

The Company is empowered by the Companies Law and the Articles of Association to purchase its own shares subject to certain restrictions and the Directors may only exercise this power on behalf of the Company subject to the authority of its members in general meeting as to the manner in which they do so and to any applicable requirements imposed from time to time by the Stock Exchange and the Securities and Futures Commission of Hong Kong. Shares which have been repurchased will be treated as cancelled upon the repurchase.

2.13 Power of any subsidiary of the Company to own shares

There are no provisions in the Articles of Association relating to the ownership of shares by a subsidiary.

2.14 Dividends and other methods of distribution

Subject to the Companies Law and Articles of Association, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Directors. No dividend may be declared or paid other than out of profits and reserves of the Company lawfully available for distribution, including share premium.

Unless and to the extent that the rights attached to any shares or the terms of issue thereof otherwise provide, all dividends shall (as regards any shares not fully paid throughout the period in respect of which the dividend is paid) be apportioned and paid pro rata according to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. For these purposes no amount paid up on a share in advance of calls shall be treated as paid up on the share.

The Directors may from time to time pay to the members of the Company such interim dividends as appear to the Directors to be justified by the profits of the Company. The Directors may also pay half-yearly or at other intervals to be selected by them at a fixed rate if they are of the opinion that the profits available for distribution justify the payment.

The Directors may retain any dividends or other monies 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 monies 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.

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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 monies payable or property distributable in respect of the shares held by such joint holders.

Any dividend unclaimed for six years from the date of declaration of such dividend may be forfeited by the Directors and shall revert to the Company.

The Directors may, with the sanction of the members of the Company in general meeting, direct that any dividend be satisfied wholly or in part by the distribution of specific assets of any kind, and in particular of paid up shares, debentures or warrants to subscribe securities of any other company, and where any difficulty arises in regard to such distribution the Directors may settle it as they think expedient, and in particular may disregard fractional entitlements, round the same up or down or provide that the same shall accrue to the benefit of the Company, and may fix the value for distribution of such specific assets and may determine that cash payments shall be made to any members of the Company upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.

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2.15 *Proxies*

Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person who must be an individual as his proxy to attend and vote instead of him and a proxy so appointed shall have the same right as the member to speak at the meeting. A proxy need not be a member of the Company.

Instruments of proxy shall be in common form or in such other form as the Directors may from time to time approve provided that it shall enable a member to instruct his proxy to vote in favour of or against (or in default of instructions or in the event of conflicting instructions, to exercise his discretion in respect of) each resolution to be proposed at the meeting to which the form of proxy relates. The instrument of proxy shall be deemed to confer authority to vote on any amendment of a resolution put to the meeting for which it is given as the proxy thinks fit. The instrument of proxy shall, unless the contrary is stated therein, be valid as well for any adjournment of the meeting as for the meeting to which it relates provided that the meeting was originally held within 12 months from such date.

The instrument appointing a proxy shall be in writing under the hand of the appointor or his attorney authorised in writing or if the appointor is a corporation either under its seal or under the hand of an officer, attorney or other person authorised to sign the same.

The instrument appointing a proxy and (if required by the Directors) the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll and in default the instrument of proxy shall not be treated as valid. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member of the Company from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

2.16 *Calls on shares and forfeiture of shares*

The Directors may from time to time make calls upon the members of the Company in respect of any monies 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 authorising the call was passed. The joint holders of a share shall be jointly and severally liable to pay all calls and instalments due in respect of such share or other monies 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 monies 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 10 business days' notice (or on 6 business days' notice in the case of a rights issue) 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

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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 Company without charge and by any other person on payment of a fee of such amount not exceeding the maximum 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 authorised representative being the person appointed by resolution of the directors or other governing body of such corporation or by power of attorney to act as its representative at the relevant general meeting of the Company or at any relevant general meeting of any class of members of the Company.

The quorum for a separate general meeting of the holders of a separate class of shares of the Company is described in paragraph 2.4 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. 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

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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.

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.

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2 Incorporation

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 14 April 2010 under the Companies Law. As such, its operations must be conducted mainly outside the Cayman Islands. The Company is required to file an annual return each year with the Registrar of Companies of the Cayman Islands and pay a fee which is based on the size of its authorised share capital.

3 Share Capital

The Companies Law permits a company to issue ordinary shares, preference shares, redeemable shares or any combination thereof.

The Companies Law provides that where a company issues shares at a premium, whether for cash or otherwise, a sum equal to the aggregate amount of the value of the 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;
- (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.

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The Companies Law provides that, subject to confirmation by the Grand Court of the Cayman Islands, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, by special resolution reduce its share capital in any way.

Subject to the detailed provisions of the Companies Law, a company limited by shares or a company limited by guarantee and having a share capital may, if so authorised by its articles of association, issue shares which are to be redeemed or are liable to be redeemed at the option of the company or a shareholder. In addition, such a company may, if authorised to do so by its articles of association, purchase its own shares, including any redeemable shares. The manner of such a purchase must be authorised either by the articles of association or by an ordinary resolution of the company. The articles of association may provide that the manner of purchase may be determined by the directors of the company. At no time may a company redeem or purchase its shares unless they are fully paid. A company may not redeem or purchase any of its shares if, as a result of the redemption or purchase, there would no longer be any member of the company holding shares. A payment out of capital by a company for the redemption or purchase of its own shares is not lawful unless immediately following the date on which the payment is proposed to be made, the company shall be able to pay its debts as they fall due in the ordinary course of business.

There is no statutory restriction in the Cayman Islands on the provision of financial assistance by a company for the purchase of, or subscription for, its own or its holding company's shares. Accordingly, a company may provide financial assistance if the directors of the company consider, in discharging their duties of care and to act in good faith, for a proper purpose and in the interests of the company, that such assistance can properly be given. Such assistance should be on an arm's-length basis.

4 Dividends and Distributions

With the exception of 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 3 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.

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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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 at least two-thirds 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, except that a company may in its articles of association specify that the required majority shall be a number greater than two-thirds, and may additionally so provide that such majority (being not less than two-thirds) may differ as between matters required to be approved by a special resolution. Written resolutions signed by all the members entitled to vote for the time being of the company may take effect as special resolutions if this is authorised by the articles of association of the company.

12 Subsidiary Owning Shares in Parent

The Companies Law does not prohibit a Cayman Islands company acquiring and holding shares in its parent company provided its objects so permit. The directors of any subsidiary making such acquisition must discharge their duties of care and to act in good faith, for a proper purpose and in the interests of the subsidiary.

13 Mergers and Consolidations

The Companies Law permits mergers and consolidations between Cayman Islands companies and between Cayman Islands companies and non-Cayman Islands companies. For these purposes, (a) "merger" means the merging of two or more constituent companies and the vesting of their undertaking, property and liabilities in one of such companies as the surviving company, and (b) "consolidation" means the combination of two or more constituent companies into a consolidated company and the vesting of the undertaking, property and liabilities of such companies to the consolidated company. In order to effect such a merger or consolidation, the directors of each constituent company must approve a written plan of merger or consolidation, which must then be authorised by (a) a special resolution of each constituent company and (b) such other authorisation,

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 of the Cayman Islands 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 Company 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).

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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:
 - (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.

APPENDIX III SUMMARY OF THE CONSTITUTION OF OUR COMPANY AND CAYMAN ISLANDS COMPANY LAW

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 Company 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.

FURTHER INFORMATION ABOUT OUR GROUP**1. Incorporation of our Company**

Our Company was incorporated in the Cayman Islands under the Cayman Islands Company Law as an exempted company with limited liability on 14 April 2010.

We have established a principal place of business in Hong Kong at Unit A, 21/F, North Point Industrial Building, 499 King's Road, North Point, Hong Kong and we were registered as a non-Hong Kong company in Hong Kong under Part 16 of the Companies Ordinance on 30 July 2015. Mr. Sze has been appointed as our agent for the acceptance of service of process and notices in Hong Kong.

As we are incorporated in the Cayman Islands, our operation is subject to the Cayman Islands Company law and the Memorandum of Association and the Articles of Association. A summary of certain parts of the Memorandum of Association and the Articles of Association and relevant aspects of the Cayman Islands Company Law is set forth in Appendix III.

2. Changes in share capital of our Company**(a) Increase in authorised share capital**

- (i) As at the date of incorporation of our Company on 14 April 2010, our authorised share capital was HK\$30,000 divided into 3,000,000 Shares of HK\$0.01 each, of which one fully-paid Share was issued and allotted to the subscriber. On the even date, such fully-paid Share was transferred to Mr. Sze at nil consideration.
- (ii) On 23 December 2015, the authorised share capital of our Company was increased from HK\$30,000 divided into 3,000,000 Shares of HK0.01 each to HK\$10,000,000 divided into 1,000,000,000 Shares of HK0.01 each by the creation of an additional 997,000,000 Shares of HK0.01 each.
- (iii) Immediately following completion of the Capitalization Issue and the Placing (without taking into account any Shares which may be allotted and issued upon the exercise of the Offer Size Adjustment Option or Share which may be issued upon exercise of any option which may be granted under the Share Option Scheme), the authorised share capital of our Company will be HK\$10,000,000 divided into 1,000,000,000 Shares of HK\$0.01 each, of which 160,000,000 Shares will be issued, fully paid or credited as fully paid, and 840,000,000 Shares will remain unissued.

Other than pursuant to the exercise of the Offer Size Adjustment Option and the exercise of the options which may be granted under the Share Option Scheme, there is no present intention to issue any part of our authorised but unissued share capital of our Company and, without the prior approval of the Shareholders in general meeting, no issue of Shares will be made which would effectively alter the control of our Company.

Save as aforesaid and as mentioned in the paragraph “Resolutions of the Shareholders” below, there has been no alteration in the share capital of our Company since its incorporation.

(b) *Founder shares*

Our Company has no founder shares, management shares or deferred shares.

3. **Resolutions of the Shareholders**

Written resolutions were passed by the Shareholders on 23 December 2015 pursuant to which, among other matters:

- (a) the Company approved and adopted the Memorandum of Association and the Articles of Association conditional upon and with effect from the Listing;
- (b) conditional on (aa) the Listing Division of the Stock Exchange granting listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus; (bb) the Placing Price having been determined; (cc) the execution and delivery of the Underwriting Agreement on or before the date as mentioned in this prospectus; and (dd) the obligations of the Underwriters under the Underwriting Agreement becoming unconditional and not being terminated in accordance with the terms of the Underwriting Agreement or otherwise, in each case on or before the day falling 30 days after the date of this prospectus:
 - (i) the Placing and the granting of the Offer Size Adjustment Option were approved and the Directors were authorised to allot and issue the Shares pursuant to the Placing and such number of Shares as may be required to be allotted and issued upon the exercise of the Offer Size Adjustment Option;
 - (ii) the rules of the Share Option Scheme, the principal terms of which are set out in paragraph 14 of this Appendix, were approved and adopted and the Directors were authorised to approve any amendments to the rules of the Share Option Scheme as may be acceptable or not objected to by the Stock Exchange, and at the Directors’ absolute discretion to grant options to subscribe for Shares thereunder and to allot, issue and deal with Shares pursuant to the exercise of options which may be granted under the Share Option Scheme and to take all such steps as may be necessary, desirable or expedient to implement the Share Option Scheme;
 - (iii) conditional on the share premium account of our Company being credited as a result of the Placing, the Directors were authorised to capitalize HK\$1,114,659.93 standing to the credit of the share premium account of our Company by applying such sum in

paying up in full at par 111,465,993 Shares for allotment and issue to holder of Shares whose name appears on the register of members of our Company at the close of business on 23 December 2015 (or as they may direct) in proportion (as nearly as possible without involving fractions so that no fraction of a Share shall be allotted and issued) to their then existing holdings in our Company and so that the Shares to be allotted and issued pursuant to this resolution shall rank *pari passu* in all respects with the then existing issued Shares and the Directors were authorised to give effect to such capitalization and distribution;

- (iv) a general unconditional mandate was given to the Directors to exercise all powers of our Company to allot, issue and deal with, otherwise than by way of rights issue, scrip dividend schemes or similar arrangements providing for allotment of Shares in lieu of the whole or in part of any dividend in accordance with the Articles of Association, or pursuant to the exercise of any options granted or to be granted under the Share Option Scheme, or under the Capitalization Issue or the Placing or upon the exercise of the Offer Size Adjustment Option, Shares with an aggregate nominal amount of not exceeding the sum of (aa) 20% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Placing but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any option granted or to be granted under the Share Option Scheme, and (bb) the aggregate nominal amount of the share capital of the Company which may be purchased by our Company pursuant to the authority granted to the Directors as referred to in sub-paragraph (v) below, until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first;
- (v) a general unconditional mandate (the “**Repurchase Mandate**”) was given to the Directors to exercise all powers of our Company to purchase or repurchase Shares on the Stock Exchange or other stock exchange on which the securities of our Company may be listed and recognised by the SFC and the Stock Exchange for this purpose, with an aggregate nominal amount of not exceeding 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following the completion of the Capitalization Issue and the Placing but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option or any option granted or to be granted under the Share Option Scheme until the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association or any applicable law to be held, or the passing of an ordinary resolution by the Shareholders revoking or varying the authority given to the Directors, whichever occurs first; and

- (vi) the extension of the general mandate to allot, issue and deal with Shares pursuant to paragraph (iv) above to include the nominal amount of Shares which may be purchased or repurchased pursuant to paragraph (v) above.

4. Group reorganization

The companies comprising our Group underwent a reorganization to rationalise our Group's structure in preparation for the Listing. For more details regarding the Reorganization, please see the section "History, Reorganization and Structure of our Group — Reorganization".

5. Changes in share capital of subsidiaries of our Group

The subsidiaries of our Company are listed in the Accountants' Report set out in Appendix I to this prospectus.

Save as disclosed in the section headed "History, Reorganization and Structure of our Group" in this prospectus, there has been no alteration in the share capital of any of the subsidiaries of our Company within the two years immediately preceding the date of this prospectus.

6. Securities repurchase mandate

This paragraph includes information required by the Stock Exchange to be included in this prospectus concerning the repurchase by our Company of its own securities.

(a) *Shareholders' approval*

All proposed repurchases of securities (which must be fully paid up in the case of shares) by a company listed on the Stock Exchange must be approved in advance by an ordinary resolution of the shareholders, either by way of general mandate or by specific approval of a particular transaction.

Pursuant to a resolution in writing passed by the Shareholders on 23 December 2015, the Repurchase Mandate was given to the Directors authorising any repurchase by our Company of Shares on the Stock Exchange or any other stock exchange on which the securities of our Company may be listed and which is recognised by the SFC and the Stock Exchange for this purpose, of up to 10% of the aggregate nominal amount of the share capital of our Company in issue immediately following completion of the Capitalization Issue and the Placing but excluding any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and the Share Option Scheme, such mandate to expire at the conclusion of the next annual general meeting of our Company, or the date by which the next annual general meeting of our Company is required by the Articles of Association and applicable laws to be held, or the passing of an ordinary resolution of Shareholders in general meeting revoking or varying the authority given to the Directors, whichever occurs first.

(b) *Source of funds*

Repurchases must be funded out of funds legally available for the purpose in accordance with the Memorandum of Association and Articles of Association and the GEM Listing Rules and the applicable laws of the Cayman Islands. A listed company may not repurchase its own securities on the Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Stock Exchange. Under the Cayman Islands Company law, any repurchases by our Company may be made out of profits of our Company or out of the proceeds of a fresh issue of Shares made for the purpose of the repurchase or, if so authorised by the Articles of Association and subject to the provisions of the Cayman Islands Company Law, out of capital.

Any premium payable on a redemption or purchase over the par value of the Shares to be purchased must be provided for out of the profits of our Company or from sums standing to the credit of the share premium account of our Company or, if authorised by the Articles of Association and subject to the provisions of the Cayman Islands Company Law, out of capital.

(c) *Reasons for repurchases*

The Directors believe that it is in the best interest of our Company and the Shareholders for the Directors to have general authority from the Shareholders to enable our Company to repurchase Shares in the market. Such repurchases may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the net asset value per Share and/or earnings per Share and will only be made if the Directors believe that such repurchases will benefit our Company and the Shareholders.

(d) *Funding of repurchases*

In repurchasing securities, our Company may only apply funds legally available for such purpose in accordance with the Memorandum of Association and Articles of Association, the applicable laws of the Cayman Islands and the GEM Listing Rules.

On the basis of the current financial position of our Group as disclosed in this prospectus and taking into account the current working capital position of our Group, the Directors consider that, if the Repurchases Mandate were to be exercised in full, it might have a material adverse effect on the working capital and/or the gearing position of our Group as compared with the position disclosed in this prospectus. However, the Directors do not propose to exercise the Repurchase Mandate to such an extent as would, in the circumstances, have a material adverse effect on the working capital requirements of our Group or the gearing levels which in the opinion of the Directors are from time to time appropriate for our Group.

The exercise in full of the Repurchase Mandate, on the basis of 160,000,000 Shares in issue immediately after the Listing, would result in up to 16,000,000 Shares being repurchased by our Company during the period in which the Repurchase Mandate remains in force.

(e) *General*

None of the Directors nor, to the best of their knowledge having made all reasonable enquiries, any of their close associates currently intends to sell any Shares to our Company or our subsidiaries.

The 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, the Memorandum of Association and the Articles of Association, and the applicable laws of the Cayman Islands.

If, as a result of a securities repurchase, a Shareholder's proportionate interest in the voting rights of our Company is increased, such increase will be treated as an acquisition for the purpose of 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.

The Directors will not exercise the Repurchase Mandate if the repurchase would result in the number of Shares which are in the hands of the public falling below 25% of the total number of Shares in issue (or such other percentage a may be prescribed as the minimum public shareholding under the GEM Listing Rules).

No connected person (as defined in the GEM Listing Rules) of our Company has notified our Company that he/she/it has a present intention to sell Shares to our Company, or has undertaken not to do so if the Repurchase Mandate is exercised.

FURTHER INFORMATION ABOUT OUR BUSINESS

7. Summary of material contracts

The following material contracts (not being contracts in the ordinary course of business) have been entered into by members of our Group within the two years preceding the date of this prospectus and are or may be material:

- (a) the equity interest pledge release agreement dated 23 September 2014 entered into between Gameone (Shenzhen), STGT, Xie Jianhui (謝建輝) and Lai Wenjuan (賴文娟), pursuant to which Gameone (Shenzhen) agreed to release the pledge on the 70% equity interest in STGT held by Xie Jianhui (謝建輝) and 30% equity interest in STGT held by Lai Wenjuan (賴文娟);
- (b) the trademark transfer agreement dated 21 July 2015 entered into between Gameone (Shenzhen) and Roaming Mobile Technology, pursuant to which Gameone (Shenzhen) agreed to transfer the trademark numbered 6564858 to Roaming Mobile Technology at nil consideration;

- (c) the trademark transfer agreement dated 21 July 2015 entered into between Gameone (Shenzhen) and Roaming Mobile Technology, pursuant to which Gameone (Shenzhen) agreed to transfer the trademark numbered 6564859 to Roaming Mobile Technology at nil consideration;
- (d) the trademark transfer agreement dated 21 July 2015 entered into between STGT and Roaming Mobile Technology, pursuant to which STGT agreed to transfer the trademark numbered 6994741 to Roaming Mobile Technology at nil consideration;
- (e) the software copyright transfer agreement dated 21 July 2015 entered into between STGT and Roaming Mobile Technology, pursuant to which STGT agreed to transfer the copyright of a software, namely 火鳳燎原遊戲軟件V1.0, to Roaming Mobile Technology at nil consideration;
- (f) the share subscription agreement dated 24 August 2015 entered into between Gameone Inc. and Snail Digital, pursuant to which Gameone Inc. agreed to issue and allot 255,797 shares of US\$0.01 each in Gameone Inc. to Snail Digital for cash consideration of US\$387,600;
- (g) the sale and purchase agreement dated 25 September 2015 entered into between Gameone.com Inc. and Mr. Sze, pursuant to which Mr. Sze agreed to acquire one share of HK\$1.00 each in onegameshow.com representing the entire issued share capital of onegameshow.com from Gameone.com Inc. at a consideration of HK\$1.00;
- (h) a sale and purchase agreement dated 23 December 2015 and entered into between our Company, PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital, pursuant to which PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital transferred 4,749,689, 1,555,615, 1,306,214, 666,692 and 255,797 shares of US\$0.01 each in Gameone Inc. to our Company in consideration of our Company allotting and issuing to PCIL, Right One, NYIL, Gameone (BVI) and Snail Digital as to 4,749,688, 1,555,615, 1,306,214, 666,692 and 255,797 Shares;
- (i) the Deed of Non-competition;
- (j) the Deed of Indemnity;
- (k) a cornerstone investment agreement dated 28 December 2015 entered into among our Company, Linekong Interactive Group Co., Ltd. and the Sole Global Coordinator, pursuant to which Linekong Interactive Group Co., Ltd. agreed to subscribe for such number of Shares as may be subscribed for with an amount of HK\$1,500,000 at the Placing Price, rounded down to the nearest board lot of Shares (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% per Share);
- (l) a cornerstone investment agreement dated 28 December 2015 entered into among our Company, Soft-World International Corporation and the Sole Global Coordinator, pursuant to which Soft-World International Corporation agreed to subscribe for such number of Shares as may be subscribed for with an amount of HK\$1,500,000 at the Placing Price, rounded down to the nearest board lot of Shares (excluding brokerage of 1%, SFC transaction levy of 0.0027% and Stock Exchange trading fee of 0.005% per Share); and
- (m) the Underwriting Agreement.

8. Exemption from requirement of a property valuation report

For the purpose of Chapter 8 of the GEM Listing Rules, as no single property interest that formed part of our non-property activities had a carrying amount of 15% or more of our total assets, this prospectus is not required to include any valuation report of our property interests.

Pursuant to section 6(2) of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with requirements of section 342(1)(b) of the Companies (WUMP) Ordinance in relation to paragraph 34(2) of the Third Schedule to the Companies (WUMP) Ordinance, which requires a valuation report with respect to all our Group's assets in land or buildings.

9. Intellectual property rights of our Group

(a) Trademarks

As at the Latest Practicable Date, our Group has the following trademarks which are material to our business:

No.	Trademark	Registered Owner	Place of Registration	Class	Registration Number	Duration of Validity
1.	 	Gameone Group (HK)	Hong Kong	9 41 42	301066095	14 March 2008 to 13 March 2018
2.	 	Gameone Group (HK)	Hong Kong	9 41 42	301190231	28 August 2008 to 27 August 2018
3.		Gameone* (Shenzhen)	PRC	41	6564858	14 January 2011 to 13 January 2021
4.		Gameone* (Shenzhen)	PRC	42	6564859	7 December 2010 to 6 December 2020

* On 21 July 2015, Roaming Mobile Technology entered into two trademark transfer agreements with Gameone (Shenzhen), pursuant to which Gameone (Shenzhen) transferred the trademarks numbered 6564858 and 6564859 to Roaming Mobile Technology at nil consideration. The Trademark Office of the State Administration for Industry and Commerce of the PRC accepted the application for the aforesaid transfer of trademarks on 10 August 2015. The transfer of trademarks will be completed upon the approval of the transfer by the Trademark Office of the State Administration for Industry and Commerce of the PRC.

No.	Trademark	Registered Owner	Place of Registration	Class	Registration Number	Duration of Validity
5.		Gameone Group (HK)	Taiwan	9	01531385	16 August 2012 to 15 August 2022
6.		Gameone Group (HK)	Taiwan	41	01530516	1 August 2012 to 31 July 2022
7.		Gameone Group (HK)	Taiwan	42	01530557	1 August 2012 to 31 July 2022
8.		Gameone Group (HK)	Taiwan	9	01515199	1 May 2012 to 30 April 2022
9.		Gameone Group (HK)	Taiwan	41	01520740	1 June 2012 to 31 May 2022
10.		Gameone Group (HK)	Taiwan	42	01520812	1 June 2012 to 31 May 2022
11.	gameone	Gameone Group (HK)	Taiwan	9	01519499	1 June 2012 to 31 May 2022
12.	gameone	Gameone Group (HK)	Taiwan	41	01537634	16 September 2012 to 15 September 2022

No.	Trademark	Registered Owner	Place of Registration	Class	Registration Number	Duration of Validity
13.	gameone	Gameone Group (HK)	Taiwan	42	01537675	16 September 2012 to 15 September 2022
14.	 gameone	Gameone Group (HK)	Taiwan	9	01519500	1 June 2012 to 31 May 2022
15.	 gameone	Gameone Group (HK)	Taiwan	41	01537635	16 September 2012 to 15 September 2022
16.	 gameone	Gameone Group (HK)	Taiwan	42	01537676	16 September 2012 to 15 September 2022
17.	智 傲	Gameone Group (HK)	Taiwan	9	01524614	1 July 2012 to 30 June 2022
18.	智 傲	Gameone Group (HK)	Taiwan	41	01537636	16 September 2012 to 15 September 2022
19.	智 傲	Gameone Group (HK)	Taiwan	42	01537677	16 September 2012 to 15 September 2022
20.		Gameone Group (HK)	Taiwan	9	01637067	16 April 2014 to 15 April 2024
21.		Gameone Group (HK)	Taiwan	41	01633204	16 March 2014 to 15 March 2024
22.		Gameone Group (HK)	Taiwan	42	01633242	16 March 2014 to 15 March 2024

APPENDIX IV

STATUTORY AND GENERAL INFORMATION

No.	Trademark	Registered Owner	Place of Registration	Class	Registration Number	Duration of Validity
23.		Gameone Group (HK)	Taiwan	9	01689944	1 February 2015 to 31 January 2025
24.		Gameone Group (HK)	Taiwan	41	01705934	1 May 2015 to 30 April 2025
25.		Gameone Group (HK)	Taiwan	42	01700496	1 April 2015 to 31 March 2025

As at the Latest Practicable Date, our Group has applied for the registration of the following trademarks which are material to our business:

No.	Registered Trademark	Applicant	Place of application	Application Number	Application Date (dd/mm/yy)	Class
1.	<p>A </p> <p>B </p>	Gameone Group (HK)	Hong Kong	303501864	11 August 2015	16
2.		Gameone Group (HK)	Taiwan	104025167	6 May 2015	9
3.		Gameone Group (HK)	Taiwan	104025168	6 May 2015	41
4.		Gameone Group (HK)	Taiwan	104025169	6 May 2015	42
5.		Gameone Group (HK)	Taiwan	104027126	15 May 2015	9

No.	Registered Trademark	Applicant	Place of application	Application Number	Application Date (dd/mm/yy)	Class
6.		Gameone Group (HK)	Taiwan	104027127	15 May 2015	41
7.		Gameone Group (HK)	Taiwan	104027128	15 May 2015	42

Notes:

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.

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); printers' type; printing blocks.

Class 41

Education; providing of training; entertainment; sporting and cultural activities.

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.

(b) *Software copyright*

As at the Latest Practicable Date, our Group was the registered owner of the following software copyright, which is material to our business:

<u>No.</u>	<u>Software</u>	<u>Registered Owner</u>	<u>Place of Registration</u>	<u>Certificate Number</u>	<u>Date of Registration</u>
1	火鳳燎原遊戲軟件V1.0	Roaming Mobile Technology	PRC	2012SR101384	26 October 2012

(c) *Domain Names*

As at the Latest Practicable Date, our Group was the registered owner of the following registered domain names, which are material to our business:

<u>Domain Name</u>	<u>Date of Registration</u>	<u>Date of Expiry</u>
gameone.com	3 August 1997	2 August 2016
gameone.com.hk	10 September 2001	12 September 2020
gameone.com.tw	30 December 2008	30 December 2018
goone.com.tw	11 October 2012	18 October 2018
goone.tw	11 October 2012	18 October 2018
teddyboyonline.com	10 July 2012	10 July 2016

Save as disclosed above, as at the Latest Practicable Date, there are no material trade or service marks, patents, other intellectual property rights which are material in relation to our business.

10. Connected transactions and related party transactions

Save as disclosed in the sections “Continuing Connected Transactions” and “Relationship with our Controlling Shareholders” and in note 23 to the Accountants’ Report, the text of which is set out in Appendix I to this prospectus, during the two years immediately preceding the date of this prospectus, our Company has not engaged in any other material connected transactions or related party transactions.

FURTHER INFORMATION ABOUT DIRECTORS AND SHAREHOLDERS**11. Directors**(a) *Disclosure of interests of Directors*

- (i) Mr. Sze and Ms. Wong are interested in the Reorganization and the transactions as contemplated under the material contracts as set out in the paragraph 7 of this Appendix.

- (ii) Save as disclosed in this prospectus, none of our Directors or their associates were engaged in any dealings with our Group during the two years preceding the date of this prospectus.

(b) *Particulars of Directors' service contracts*

Executive Directors

Each of the executive Directors has entered into a service contract with our Company for a term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant service contract). Each of the Executive Directors is entitled to their respective basic salaries set out below.

The current basic annual salaries of the executive Directors to their respective executive and management roles in our Group are as follows:

<u>Name</u>	<u>Approximate annual salary</u>
	HK(\$)
Mr. Sze Yan Ngai	696,000
Mr. Lam Kin Fai	468,000

Non-executive Directors and Independent Non-executive Directors

Each of the non-executive Directors and the independent non-executive Directors has been appointed for an initial term of three years commencing from the Listing Date (subject to termination in certain circumstances as stipulated in the relevant letter of appointment). The appointments are subject to the provisions of the Articles of Association with regard to vacation of office of Directors and removal and retirement by rotation of Directors. Each of the non-executive Directors and independent non-executive Directors is entitled to a director's fee of HK\$150,000 per annum. Save for directors' fee, none of the non-executive Directors and independent non-executive Directors is expected to receive any other remuneration for holding their office as a non-executive Director or independent non-executive Director.

Save as aforesaid, none of our Directors has or is proposed to have a service contract with our Company or any of our subsidiaries other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

(c) *Directors remuneration*

- (i) The aggregate emoluments paid (including salaries, contribution to pension schemes, allowance) and benefits in kind granted by our Group to the Directors in respect of the two financial years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 were approximately HK\$2,052,000, HK\$2,636,000 and HK\$873,000, respectively.

- (ii) Under the arrangements currently in force, the aggregate emoluments (excluding performance bonuses and discretionary bonuses) payable by our Group to and benefits in kind receivable by the Directors (including the non-executive Directors and the independent non-executive Directors in their respective capacity as Directors) for the year ending 31 December 2015 are expected to be approximately HK\$1.7 million.
- (iii) None of our Directors or any past directors of any member of our Group has been paid any sum of money for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015 (i) as an inducement to join or upon joining the Group or (ii) for loss of office as a director of any member of our Group or of any other office in connection with the management of the affairs of any member of our Group.
- (iv) There has been no arrangement under which a Director has waived or agreed to waive any emoluments for the two years ended 31 December 2013 and 2014 and the six months ended 30 June 2015.
- (d) *Interests and/or short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations*

Immediately following completion of the Capitalization Issue and the Placing and taking no account of any Shares which may be allotted and issued pursuant to the exercise of the Offer Size Adjustment Option and the options which may be granted under the Share Option Scheme, the interests and short positions of our Directors and the chief executive of our Company in the shares, underlying shares or debentures of our Company and our associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions in which they are 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 therein, or which will be required to be notified to our Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, once the Shares are listed, will be as follows:

<u>Name of Director</u>	<u>Capacity/nature of interests</u>	<u>Number and class of securities⁽¹⁾</u>	<u>Approximate percentage of shareholding</u>
Ms. Wong ⁽²⁾	Interest in a controlled corporation	66,787,235(L)	41.74%
Mr. Sze ⁽³⁾	Interest in a controlled corporation	31,248,722(L)	19.53%

Note:

- (1) The letter “L” denotes the entity/person’s long position in the Shares.
- (2) Ms. Wong holds 50% of the issued share capital of PC Asia, which directly holds 99% and indirectly holds 1%, through PC Asia Nominees, of the issued share capital of PCIL. By virtue of the SFO, Ms. Wong is deemed to be interested in the 66,787,235 Shares in which PCIL is interested.
- (3) Mr. Sze is the sole shareholder of Right One which holds 21,874,107 Shares. In addition, Mr. Sze holds 70% of the shares in the entire issued share capital of Gameone (BVI) holding 9,374,615 Shares. By virtue of the SFO, Mr. Sze is deemed to be interested in the Shares in which Right One and Gameone (BVI) are interested.

12. Interest and/or short positions discloseable under Divisions 2 and 3 of Part XV of the SFO and substantial shareholders

Save as disclosed in the section “Substantial and Significant Shareholders” in this prospectus, our Directors and chief executive of our Company are not aware of any person who will, immediately following completion of the Capitalization Issue and the Placing (but without taking account of any Shares which may be taken up or acquired under the Placing and any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme), other than a Director or chief executive of our Company whose interests are disclosed under the paragraph “Further information about directors and shareholders — 11. Directors” above, which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or who 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 any other member of our Group.

13. Disclaimers

Save as disclosed in this prospectus:

- (a) and taking no account of any Shares which may be taken up or acquired under the Placing, the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme, the Directors are not aware of any person (not being a Director or chief executive of our Company) who immediately following the completion of the Capitalization Issue and the Placing will have an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to our Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who will, either directly or indirectly, 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 any other member of our Group;
- (b) none of our Directors or the chief executives of our Company has any interest or short position in any of the shares, underlying shares or debentures of our Company or any associated corporations within the meaning of Part XV of the SFO, which will have to be

notified to our Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which any of them is 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 therein or which will be required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to our Company and the Stock Exchange, in each case once the Shares are listed on the GEM;

- (c) none of our Directors nor any of the parties listed in the paragraph “22. Qualifications of experts” below has been interested in the promotion of, or has any direct or indirect interest in any assets which have been, within the two years immediately preceding the date of this prospectus, acquired or disposed of by or leased to our Company or any of the subsidiaries of our Company, or are proposed to be acquired or disposed of by or leased to our Company or any other member of our Group nor will any Director apply for the Placing Shares either in his own name or in the name of a nominee;
- (d) none of our Directors nor any of the parties listed in the paragraph “22. Qualifications of experts” below is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to business of our Group;
- (e) save in connection with the Underwriting Agreement, none of the parties listed in the paragraph “22. Qualifications of experts” below:
 - (i) is interested legally or beneficially in any securities of any member of our Group; 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, their respective close associates or Shareholders of our Company is interested in more than 5% of the issued share capital of our Company has any interests in the five largest suppliers and/or customers.

OTHER INFORMATION

14. Share Option Scheme

The principal terms of the Share Option Scheme conditionally adopted by our Company on 23 December 2015 are as follows:

(a) *Purpose*

The purpose of the Share Option Scheme is to attract and retain the best quality personnel for the development of our Group’s businesses; to provide additional incentives to the Qualifying Grantees (as defined below); and to promote the long term financial success of our Group by aligning the interests of option holders to Shareholders.

(b) *Who may join*

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, our Board may offer to grant an option to any Qualifying Grantees as our Board may in its absolute discretion select. “Qualifying Grantee” means:

- (i) (1) any employee (whether full-time or part-time employee) of any members of our Group or any Affiliates and any person who is an officer of any members of our Group or any Affiliates (“**Employee**”);
- (2) any person who is seconded to work for any member of our Group or any Affiliates (“**Seconded**”);
- (3) any consultant, agent, representative, adviser, customer, contractor of our Group or any Affiliates;
- (4) any business partner/ally/alliance, joint venture partner, supplier of goods or services to our Group or any Affiliates or any employee thereof; or

(collectively the “**Eligible Person**”)

- (ii) any trust for the benefit of an Eligible Person or his immediate family members or any company controlled by an Eligible Person or his immediate family members (“**Related Trust and Company**”).

“**Affiliate**” means a company that directly or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, our Company and includes any company which is (a) the holding company of our Company; or (b) a subsidiary of holding company of our Company; or (c) a subsidiary of our Company; or (d) a fellow subsidiary of our Company; or (e) the controlling shareholder of our Company; or (f) a company controlled by the controlling shareholder of our Company; or (g) a company controlled by our Company; or (h) an Associated Company of the holding company of our Company; or (i) an Associated Company of our Company; or (j) Associated Company of controlling shareholder of our Company;

“**Associated Company**” means a company in the equity share capital of which a company, directly or indirectly, has an 20% or greater beneficial interest but excluding the subsidiaries of that company;

“**close associates**” has the meaning set out in the GEM Listing Rules;

“**core connected person**” has the meaning set out in the GEM Listing Rules;

“**immediate family members**” means a spouse or person co-habiting as the spouse of an Eligible Person, and any child or step-child, parent or step-parent, brother, sister, step-brother, step-sister, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law of an Eligible Person;

“**officer**” means company secretary or director (whether executive or non-executive); and

“**subsidiary**” has the meaning set out in the GEM Listing Rules.

(c) *Administration*

The Share Option Scheme shall be subject to the administration of our Board whose decision shall (save as otherwise provided in the Share Option Scheme) be final and binding. Subject to the provisions of the GEM Listing Rules and applicable law and other regulations from time to time in force, our Board’s powers include the authority, in its discretion:

- (i) to select Qualifying Grantees to whom options may be granted under the Share Option Scheme;
- (ii) to determine, subject to the requirements of the GEM Listing Rules and the law, the time of the grant of options;
- (iii) to determine the number of Shares to be covered by each option granted under the Share Option Scheme;
- (iv) to approve forms of option agreements;
- (v) to determine the terms and conditions, not inconsistent with the terms of the Share Option Scheme, of any option based in each case on such factors as the Board, in its sole discretion, shall determine. Such terms and condition may include, but are not limited to:
 - the subscription price;
 - the option period, which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the commencement date);
 - the minimum period, if any, for which an option must be held before it vests or becomes exercisable in whole or in part;
 - the performance targets, if any, that must be achieved before the option can be exercised;

- the amount, if any, payable on application or acceptance of the option and the period within which payments must be made; and
 - the period, if any, during which Shares allotted and issued upon exercise of the option shall be subject to restrictions on dealings, and the terms of such restrictions;
- (vi) to construe and interpret the terms of the Share Option Scheme and options granted pursuant to the Share Option Scheme;
- (vii) to prescribe, amend and rescind rules and regulations relating to the Share Option Scheme, including rules and regulations relating to sub-schemes established for the purpose of qualifying for preferred treatment under foreign laws and for benefits intended solely for any particular type of Qualifying Grantees; and
- (viii) subject to the provisions relating to grant to substantial shareholders and independent non-executive Directors and their respective associates in the Share Option Scheme, to vary the terms and conditions of any option agreement (provided that such variation is not inconsistent with the terms of the GEM Listing Rules and the Share Option Scheme).

(d) ***Grant of options***

On and subject to the terms of the Share Option Scheme and the requirements of the GEM Listing Rules, the Board shall be entitled at any time within 10 years commencing on the GEM Listing Date to make an offer for the grant of an option to any Qualifying Grantee as our Board may in its absolute discretion select.

An offer of the grant of an option shall be deemed to have been made on the date such offer is approved by our Board, notwithstanding that the letter or any other document containing the offer is sent to and received by the Qualifying Grantee on an earlier or a later date.

(e) ***Restriction on time of grant of option***

An offer of the grant of an option may not be made after inside information has come to the knowledge of our Company until the information has been announced in accordance with the GEM Listing Rules. In particular, but only insofar as and for so long as the GEM Listing Rules require, no offer of the option may be made during the period commencing one month immediately preceding the earlier of:

- (i) the date of our Board meeting (as such date is first notified to the Stock Exchange) for the approval of our Company's results for any year, half-year, quarterly or any other interim period (whether or not required under the GEM Listing Rules); and

- (ii) the deadline for our Company to publish its results for any year or half-year under the GEM Listing Rules, or quarterly or any other interim period (whether or not required under the GEM Listing Rules),

and ending on the date of the results announcement.

(f) ***Acceptance and payment on acceptance of option offer***

An offer shall remain open for acceptance by the Qualifying Grantee concerned for a period of 28 days from the date of the offer (or such period as our Board may specify in writing).

HK\$1 is payable by the grantee to our Company on acceptance of the option offer.

(g) ***Subscription price***

The subscription price in respect of any particular option shall be such price as our Board may in its absolute discretion determine at the time of grant of the relevant option but the subscription price shall not be less than whichever is the highest of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of the granting of the option; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the granting of the option; and (iii) the nominal value of a Share.

For the purpose of determining the subscription price, if the Shares have been listed for less than five business days immediately preceding the date of the granting of the option, the new issue price per Share under the Placing in connection with such listing (excluding brokerage fee, trading fee and transaction levy payable thereon) shall be deemed to be the closing price for any business day falling within the period before such listing.

(h) ***Option period***

The period as the Board may in its absolute discretion determine and specify in relation to any particular option holder in his option agreement during which the option may be exercised (subject to such restriction on exercisability specified therein), which shall be not greater than the period prescribed by the GEM Listing Rules from time to time (which is, as at the date of adoption of the Share Option Scheme, a period of 10 years from the date of the granting of the option).

(i) ***Rights are personal to grantee***

An option shall be personal to the option holder and shall not be assignable or transferable.

(j) *Rights attaching to Shares allotted*

The Shares to be allotted upon the exercise of an option shall be subject to all the provisions of the Articles of our Company for the time being in force and shall rank pari passu in all respects with the fully paid Shares in issue on the date of issue and accordingly will entitle the holders to participate in all dividends or other distributions paid or made on or after the date of issue, other than any dividend or other distribution previously declared or recommended or resolved to be paid or made with respect to a record date which shall be before the date of issue.

(k) *Rights on retirement, death or permanent physical or mental disability*

If an option holder (or, in the case of an option holder which is a Related Trust and Company, the relevant Eligible Person) ceases to be a Qualifying Grantee attributable to the fact that he dies or becomes permanently physically or mentally disabled or in the case of an option holder being an Employee (or, in the case of an option holder which is a Related Trust and Company of an Employee, the relevant Employee), retires, unless otherwise provided in the option agreement, the option may be exercised within such period of time as is specified in the option agreement (but in no event later than the expiration of the term of such option as set forth in the option agreement).

In the absence of a specified time in the option agreement, the option shall, to the extent that has become exercisable on or prior to the relevant Option Holder's or Qualifying Grantee's or Employee's (as the case may be) retirement, death or permanent physical or mental disability, remain exercisable for 12 months (or such longer period as the Board shall decide) following the relevant option holder's or Qualifying Grantee's or Employee's (as the case may be) retirement, death or permanent physical or mental disability. The option may be exercised within that period by the personal representatives of the option holder.

If the option is not so exercised within the time specified, the option shall lapse.

(l) *Termination for misconduct*

If an option holder being an Employee (or, in the event of an option holder which is a Related Trust and Company of the Employee, the relevant Employee) ceases to be an Employee for his conduct based on which the relevant employer can terminate his contract of employment without notice or payment in lieu, or having been convicted of any criminal offence involving his integrity or honesty, the option shall immediately lapse.

(m) *Termination for bankruptcy cause*

If an option holder (or, in the event of an option holder which is a Related Trust and Company of an Eligible Person, the relevant Eligible Person) ceases to be a Qualifying Grantee for having committed any act of bankruptcy or having become insolvent or having made any arrangements or composition with his creditors generally, the option shall immediately lapse.

(n) ***Rights on termination other than for retirement, death, permanent disability, termination resulting from misconduct or bankruptcy cause***

If an option holder (or, in the event of an option holder which is a Related Trust and Company of an Eligible Person, the relevant Eligible Person) ceases to be a Qualifying Grantee other than in any of the circumstances described in paragraphs (k), (l) or (m), unless otherwise provided in the option agreement, an option holder may exercise his option within three months of such cessation (or such longer period as the Board shall decide, but in no event later than the expiration of the term of such option as set forth in the option agreement).

If the option is not so exercised within the time specified, the option shall lapse.

(o) ***Rights on takeover***

If a takeover by way of general offer is made to all the holders of Shares (or all such holders 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 becomes or is declared unconditional in all respects, the option holder shall be entitled to exercise the option (to the extent not already exercised) at any time within one month (or such longer period as our Board shall decide) or the expiry of the term of such option as set forth in the option agreement, whichever is earlier, after the date on which the general offer becomes or is declared unconditional.

If the option is not so exercised within the time specified, the option shall lapse.

(p) ***Rights on compromise or arrangement***

If a compromise or arrangement between our Company and its members or creditors is proposed, our Company shall give notice to the option holder on the same date as it despatches the notice to each member or creditor of our Company summoning the meeting to consider such a compromise or arrangement, and thereupon the option holder (or his personal representatives) may until the expiry of the period commencing with such date and ending with the earlier of the date two calendar months thereafter or the date on which such compromise or arrangement is sanctioned by the court exercise any of his options (to the extent not already exercised) whether in full or in part, but the exercise of an option as aforesaid shall be conditional upon such compromise or arrangement being sanctioned by the court and becoming effective, and upon such compromise or arrangement becoming effective, all options shall lapse except insofar as previously exercised under the Share Option Scheme. Our Company may require the option holder to transfer or otherwise deal with the Shares issued as a result of the exercise of options in these circumstances so as to place the option holder in the same position, as nearly as possible, as would have been the case had such Shares been subject to such compromise or arrangement.

If the option is not so exercised within the time specified, the option shall lapse.

(q) *Rights on voluntary winding-up of our Company*

In the event a notice is given by our Company to its members to convene a general meeting for the purposes 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 it despatches such notice to each member of our Company give notice thereof to all option holders (together with a notice of the existence of the provisions of the Share Option Scheme relating to this paragraph (q)) and thereupon, each option holder (or his personal representatives) shall be entitled to exercise all or any of his options (to the extent not already exercised) at any time not later than two business days prior to the proposed general meeting of our Company by giving notice in writing to our Company, accompanied by a remittance for the full amount of the aggregate subscription price for the Shares in respect of which the notice is given whereupon 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 referred to above, allot the relevant Shares to the option holder credited as fully paid.

If the option is not so exercised within the time specified, the option shall lapse.

(r) *Lapse of option*

Subject to the discretion of the Board to extend the option period as referred to in paragraphs (c), (k), (n) and (w), and without prejudice to the authority of our Board to provide for additional situations where an option shall lapse in any option agreement, an option shall lapse and not be exercisable (to the extent not already exercised) on the earliest of: (i) the expiry of the option period; (ii) the expiry of any of the periods referred to in paragraphs (k), (l), (m), (n), (o), (p) and (q); and (iii) the date on which our Board or the two directors of our Company duly authorised by our Board certify that for the reason of a breach of paragraph (i).

(s) *Cancellation of options*

Options granted but not exercised or lapsed in accordance with the terms of the Share Option Scheme may be cancelled by our Company with the consent of the Qualifying Grantee provided that such consent shall not be required where an option lapses in accordance with paragraph (r) above. Where our Company cancels options and offers to issue new ones to the same Qualifying Grantee, the issue of such new options may only be made under the Share Option Scheme with available unissued options (excluding the cancelled options) within the limits set out in paragraph (t) below.

(t) *Maximum number of Shares available under the Share Option Scheme*

(i) *Overriding Limit*

The limit on the number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other schemes must not exceed 30% of the Shares in issue from time to time. No options may be granted under any schemes of our Company if this will result in the limit being exceeded.

(ii) Mandate Limit

In addition to the limit set out in sub-paragraph (t)(i) above and prior to the approval of a Refreshed Mandate Limit as referred to in sub-paragraph (t)(iii) below, the total number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other schemes of our Company must not in aggregate exceed 10% of the Shares in issue immediately following the completion of the Capitalization Issue and the Placing. Options lapsed in accordance with the terms of the Share Option Scheme or any other schemes will not be counted for the purpose of calculating the 10% limit.

(iii) Refreshing of Mandate Limit

Our Company may by ordinary resolutions of the Shareholders refresh the mandate limit provided our Company shall issue a circular containing such information as required by the GEM Listing Rules to Shareholders before such approval is sought. However, the total number of Shares which may be issued upon exercise of all options to be granted under all of the schemes of our Company under the limit as refreshed (the “**Refreshed Mandate Limit**”) must not exceed 10% of the Shares in issue as at the date of approval of the Refreshed Mandate Limit. Options previously granted under the schemes (including those outstanding, cancelled, lapsed in accordance with any of the schemes or exercised options) will not be counted for the purpose of calculating the limit as refreshed.

(iv) Grant to specifically identified Qualifying Grantees

Specifically identified Qualifying Grantees may be granted options beyond the mandate limit. Our Company may in addition seek separate approval by its Shareholders in general meeting for granting options beyond the mandate limit provided the options in excess of the limit are granted only to Qualifying Grantees specifically identified by our Company and a circular containing such information as required by the GEM Listing Rules is issued to Shareholders before such approval is sought.

(v) Limit for each Qualifying Grantee

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each Qualifying Grantee must not exceed 1% of the Shares in issue. Where any further grant of options to a Qualifying Grantee would result in the Shares issued and to be issued upon exercise of all options granted and to be granted to such person (including exercised, cancelled and outstanding options) in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the Shares in issue, such further grant shall be subject to separate approval by Shareholders in general meeting with the relevant Qualifying Grantee and his close associates (or his associates if the participant is a connected person) abstaining from voting. Prior to seeking such approval, our Company shall issue a circular containing such information as required by the GEM Listing Rules to Shareholders.

(u) *Grant of option to core connected persons*

Insofar as and for so long as the GEM Listing Rules require, where any offer of an option is proposed to be made to a Director, chief executive or substantial shareholder of our Company or any of their respective associates, such offer must first be approved by the independent non-executive Directors of our Company (excluding any independent non-executive director who is or whose associate is the Qualifying Grantee to whom the option is proposed to be granted). Insofar and for so long as the GEM Listing Rules so require, no option may be granted to any substantial shareholder or an independent non-executive Director of our Company, or any of their respective associates, which would result in the Shares issued and to be issued upon exercise of all options already granted or to be granted (including options exercised, cancelled and outstanding) to such person under the Share Option Scheme and any other scheme(s) of our Company in the 12-month period up to and including the date of board meeting for proposing such further grant (i) representing in aggregate over 0.1% of the share capital of our Company in issue; and (ii) having an aggregate value, based on the closing price of the Shares at the date of the board meeting for proposing such further grant, in excess of HK\$5 million, unless such further grant is approved by Shareholders in general meeting. Prior to seeking such approval, our Company shall issue a circular containing such information as required by the GEM Listing Rules to the Shareholders. At such general meeting, the grant of options to the substantial shareholder or independent non-executive Director of our Company, or any of their respective associates shall, for so long and insofar as the GEM Listing Rules so required, be approved by Shareholders by way of poll with the grantee, his associates and all core connected persons of our Company abstaining from voting, except that any such person may vote against such resolution provided that he has informed our Company of his intention to do so and such intention has been stated in the relevant circular to Shareholders.

(v) *Effects of reorganization of capital structure*

In the event of any alteration in the capital structure of our Company whilst any option remains exercisable, whether by way of capitalization of profits or reserves (other than pursuant to a scrip dividend scheme), rights issue or other general offer of securities made by our Company to holders of its securities, consolidation, subdivision, reduction or similar reorganization of the share capital of our Company, such corresponding alterations (if any) shall be made to: (a) the number or nominal amount of Shares subject to the option so far as unexercised; and/or (b) the subscription price; and/or (c) the maximum number of Shares subject to the Share Option Scheme, as the auditors or independent financial adviser shall certify in writing to our Board to be in their opinion fair and reasonable (except in the case of a capitalization issue where no such certification shall be required), provided that: (i) any such alterations shall be made on the basis that the aggregate subscription price payable by an option holder on the full exercise of any option shall remain as nearly as possible the same (but shall not be greater than) as it was before such event; (ii) no such alterations shall be made the effect of which would be to enable a Share to be issued at less than its nominal value; (iii) no such alterations shall be made the effect of which would be to change the proportion of the issued share capital of our Company for which any option holder is entitled to subscribe for pursuant to the options held by him; and (iv) any such adjustments shall be made in compliance with Chapter 23 of the GEM Listing Rules, the supplemental guidance issued by the Stock Exchange dated 5 September 2005 and such other guidelines or supplementary guidance as may be issued by the Stock Exchange from time to time.

For the avoidance of doubt, the issue of securities by our Company as consideration in a transaction shall not be regarded as a circumstance requiring any such alterations.

(w) *Alteration to the Scheme*

The Share Option Scheme may be altered in any respect by resolution of the Board except that the provisions of the Share Option Scheme relating to matters contained in Rule 23.03 of the GEM Listing Rules shall not be altered to the advantage of option holders or proposed option holders except with the prior sanction of a resolution of our Company in general meeting, provided that no such alteration shall operate to affect adversely the terms of issue of any option granted or agreed to be granted prior to such alteration except with the consent or sanction of such majority of the option holders as would be required of Shareholders under the Articles for the time being of our Company for a variation of the rights attached to the Shares. Any alterations to the terms and conditions of the Share Option Scheme, which are of a material nature and any change to the terms of the options granted, shall be approved by Shareholders, except where the alterations take effect automatically under the existing terms of the Share Option Scheme. The amended terms of the Share Option Scheme shall comply with the relevant requirements of Chapter 23 of the GEM Listing Rules from time to time. Any change to the authority of our Board to alter the terms of the Share Option Scheme shall be approved by Shareholders. Subject to the GEM Listing Rules and the terms of the Share Option Scheme, our Board may, at any time and in its absolute discretion, remove, waive or vary the conditions, restrictions or limitations imposed in an option agreement on compassionate or any other grounds.

(x) *Termination of Share Option Scheme*

Our Company by resolution in general meeting or our Board may at any time terminate the operation of the Share Option Scheme and in such event no further options will be offered after the Share Option Scheme is terminated but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect. All options granted prior to such termination and not then exercised shall remain valid.

(y) *Conditions of Share Option Scheme*

The Share Option Scheme is conditional on:

- (i) the obtaining of our Company of the approval for listing on the Stock Exchange of Shares which may be issued pursuant to the exercise of the options; and
- (ii) the commencement of dealings in the Shares on the Stock Exchange.

As at the date of this prospectus, no option has been granted under the Share Option Scheme. Application has been made to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Shares which may fall to be issued following the exercise of the options granted under the Share Option Scheme, of which the maximum will not exceed 16,000,000 Shares. Our Directors confirm that the Share Option Scheme is in full compliance with Chapter 23 of the GEM Listing Rules.

15. Tax and other indemnity

PCIL and Mr. Sze (the “**Indemnifiers**”) have entered into the Deed of Indemnity with and in favour of our Company (for itself and as trustee for each of its present subsidiaries) (being the material contract (item j) referred to in paragraph 7. Summary of material contracts above) to provide indemnities, on a joint and several basis, in respect of, among other matters:

- (a) tax liabilities (including all fines, penalties, costs, charges, expenses and interests incidental or relating to taxation) which might be payable by any member of our Group in respect of any income, profits, gains, transactions, events, matters or things earned, accrued, received, entered into or occurring on or before the Listing Date, whether alone or in conjunction with any other circumstances whenever occurring and whether or not such tax liabilities are chargeable against or attributable to any other person, firm, company or corporation;
- (b) any expenses, payments, sums, outgoings, fees, demands, claims, damages, losses, costs (including but not limited to legal and other professional costs), charges, liabilities, fines, penalties and tax in connection with any failure, delay or defects of corporate or regulatory compliance or errors, discrepancies or missing documents in the statutory records of any member of our Group under, or any breach of any provision of, the Companies Ordinance, Predecessor Companies Ordinance or their respective subsidiary legislation on or before the Listing Date; and
- (c) any direct losses and damages that we may suffer as a result of the breach of the permitted use of our office at Unit A, 21/F North Point Industrial Building, No. 499 King’s Road, North Point, Hong Kong.

The Indemnifiers are under no liability under the Deed of Indemnity in respect of any taxation:

- (a) to the extent that provision or reserve has been made for such taxation in the audited combined accounts of our Group or the audited accounts of any member of our Group for any accounting period up to 30 June 2015;
- (b) to the extent that such taxation or liability falling on any of the members of our Group in respect of any accounting period commencing on or after 1 July 2015 and ending on the Listing Date, where such taxation or liability would not have arisen but for some act or omission of, or transaction voluntarily entered into by, any member of our Group (whether alone or in conjunction with some other act, omission or transaction, whenever occurring) without the prior written consent or agreement of the Indemnifier, other than any such act, omission or transaction:
 - (i) carried out or effected in the ordinary course of business or in the ordinary course of acquiring and disposing of capital assets on or before the Listing Date; or
 - (ii) carried out, made or entered into pursuant to a legally binding commitment created on or before the Listing Date or pursuant to any statement of intention made in the prospectus; or

- (c) to the extent that such taxation claim arise or are incurred as a result of the imposition of taxation as a consequence of any retrospective change in the law, rules and regulations or the interpretation or practice thereof by the Hong Kong Inland Revenue Department, or any other relevant authority (whether in Hong Kong or any other part of the world) coming into force after the date of the Deed of Indemnity or to the extent such claim arises or is increased by an increase in rates of taxation or claim after the date of the Deed of Indemnity with retrospective effect; or
- (d) to the extent that any provision or reserve made for taxation in the audited combined account of the Group or the audited accounts of any member of our Group for any accounting period accrued on or before 30 June 2015 which is finally established to be an over-provision or an excessive reserve, in which case the Indemnifiers' liability (if any) in respect of taxation shall be reduced by an amount not exceeding such provision or reserve, provided that the amount of any such provision or reserve applied referred to in this paragraph to reduce the Indemnifiers' liability in respect of taxation shall not be available in respect of any such liability arising thereafter.

We have been advised that no material liability for estate duty is likely to fall on us and that the Cayman Islands currently have no estate duty, inheritance tax or gift tax.

16. Litigation

As at the Latest Practicable Date, neither our Company nor any of our subsidiaries is engaged in any litigation or arbitration of material importance and no litigation or claim of material importance is known to our Directors to be pending or threatened against our Company or any of our subsidiaries, that would have a material adverse effect on the results of operations or financial condition of our Company.

17. Preliminary expenses

The preliminary expenses incurred by our Company are approximately HK\$20,000 and have been paid by our Company.

18. Promoter

Our Company has no promoter for the purpose of the GEM Listing Rules. No cash, securities or other benefit had been paid, allotted or given within two years preceding the date of this prospectus, or proposed to be paid, allotted or given, to any promoter in connection with the Placing or the related transactions described in this prospectus.

19. Application for listing of Shares

The Sole Sponsor has made an application on behalf of our Company to the Listing Committee for listing of, and permission to deal in, the Shares in issue and to be issued as mentioned in this prospectus and any Shares which may be issued pursuant to the exercise of the Offer Size Adjustment Option and any options which may be granted under the Share Option Scheme.

All necessary arrangements have been made to enable the securities to be admitted into CCASS.

20. Sole Sponsor's fees or commissions received

The total amount of the sponsor's fees payable to the Sole Sponsor by our Company is HK\$4.5 million.

The Underwriters will receive an underwriting commission of 3.5% of the aggregate Placing Price of all the Placing Shares, out of which they will pay any sub-underwriting commissions and other fees.

Based on an Placing Price of HK\$1.25 (being the mid-point of Placing Price range between HK\$1.00 per Placing Share and HK\$1.50 per Placing Share), the Sole Sponsor's fee, the underwriting commission, listing fees, the Hong Kong Stock Exchange trading fee, the SFC transaction levy, legal and other professional fees together with printing and other expenses relating to the Placing are estimated to amount to approximately HK\$24.4 million in total.

21. Sole Sponsor

The Sole Sponsor is independent of our Company pursuant to Rule 6A.07 of the GEM Listing Rules.

22. Qualifications of experts

The qualifications of the experts who have given opinions and/or whose names are included in this prospectus are as follows:

<u>Name</u>	<u>Qualification</u>
China Everbright Capital Limited	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
BDO Limited	Certified Public Accountants
Shu Jin Law Firm	Legal advisers to our Company as to PRC Laws
Maples and Calder	Legal advisers to our Company as to Cayman Islands law
Lee and Li, Attorneys-at-law	Legal advisers to our Company as to Taiwan laws
Ipsos Limited	An independent market research and consulting company

23. Consents of experts

Each of China Everbright Capital Limited, BDO Limited, Shu Jin Law Firm, Maples and Calder, Lee and Li, Attorneys-at-law and Ipsos Limited has given and has not withdrawn its written consent to the issue of this prospectus with copies of its reports, letters or opinions (as the case may be) and the references to its names or summaries of opinions included herein in the form and context in which they respectively appear.

As at the Latest Practicable Date and save as disclosed in this prospectus, none of the experts named above has any shareholding interests in our Company or any of its subsidiaries or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe in our Company or any of its subsidiaries.

24. Binding effect

This prospectus shall have the effect, if an application is made in pursuance of it, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (WUMP) Ordinance so far as applicable.

25. Miscellaneous

- (a) Save as disclosed in this prospectus, within two years immediately preceding the date of this prospectus:
 - (i) no share or loan capital of our Company or of any of our subsidiaries has been issued, agreed to be issued or is proposed to be issued fully or partly paid 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) no founder or management or deferred shares of our Company or any of our subsidiaries have been issued or agreed to be issued;
 - (iv) no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of our Company or any of our subsidiaries; and
 - (v) no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription of any share in our Company or any of our subsidiaries.

- (b) Save as disclosed in this prospectus, our Group has no outstanding convertible debt securities or debentures.
- (c) Our Directors confirm that:
 - (i) save as disclosed in this prospectus, there has been no material adverse change in the financial or trading position or prospects of our Group since 30 June 2015 (being the date to which the latest audited combined financial statements of our Group were made up);
 - (ii) there is no arrangement under which future dividends are waived or agreed to be waived; and
 - (iii) there has not been any interruption in the business of our Group which may have or has had a significant effect on the financial position of our Group in the 24 months preceding the date of this prospectus.
- (d) No company within our Group is presently listed on any stock exchange or traded on any trading system.
- (e) Our Directors have been advised that, under the Cayman Islands Company Law, the use of a Chinese name by our Company for identification purposes only does not contravene the Cayman Islands Company Law.

27. Bilingual prospectus

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided under section 4 of the Companies (Exemption of Companies and Prospectuses for Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) the written consents referred to in the section “Statutory and General Information — Other information — 23. Consents of experts” in Appendix IV to this prospectus; and
- (b) a copy of each of the material contracts referred to in the section “Statutory and General Information — Further information about our business — 7. Summary of material contracts” in Appendix IV to this prospectus.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Mayer Brown JSM at 16th-19th Floors, Prince’s Building, 10 Chater 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 of Association and the Articles of Association;
- (b) the Accountants’ Report prepared by BDO Limited, the text of which is set out in Appendix I to this prospectus;
- (c) the report in relation to the unaudited pro forma financial information, the text of which is set out in Appendix II to this prospectus;
- (d) the audited financial statements of the subsidiaries of the Group for the years ended 31 December 2013 and 2014;
- (e) the rules of the Share Option Scheme;
- (f) the Cayman Islands Company Law;
- (g) the letter of advice prepared by Maples and Calder, legal advisers to our Company as to Cayman Islands Company Law, summarising certain aspects of the Cayman Islands Company Law referred to in Appendix III to this prospectus;
- (h) the Taiwanese legal opinion(s) dated the prospectus date issued by Lee and Li, Attorneys-at-law, our legal advisers as to Taiwan laws;
- (i) the PRC legal opinion(s) dated the prospectus date issued by Shu Jin Law Firm, our legal advisers as to PRC laws;

- (j) the material contracts referred to in the section “Statutory and General Information — Further information about our business — 7. Summary of material contracts” in Appendix IV to this prospectus;
- (k) the written consents referred to in the section “Statutory and General Information — Other information — 23. Consents of experts” in Appendix IV to this prospectus;
- (l) the service contracts and the letters of appointment referred to in the section “Statutory and General Information — Further information about directors and shareholders — 11. Directors — (b) Particulars of Directors’ service contracts” in Appendix IV to this prospectus; and
- (m) the Ipsos Report.

GAMEONE
HOLDINGS LIMITED
智傲控股有限公司